

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham & Gellray, P.C.</i> <i>Alan M. Stone</i>			Date	

**City of Ionia
Ionia County, Michigan**

FINANCIAL STATEMENTS

June 30, 2004

City of Ionia
Ionia County, Michigan

June 30, 2004

CITY COUNCIL AND ADMINISTRATION

Mr. Daniel Balice	Mayor
Mr. William Bushong	Council President
Ms. Monica Miller	Council Member
Mr. Kim Patrick	Council Member
Ms. Robin Woodbury	Council Member
Mr. Gordon Kelly	Council Member
Mr. Kevin Miller	Council Member
Ms. Terri Ruthruff	Council Member
Mr. Robert O'Mara	Council Member
Mr. Thomas Wieczorek	City Manager
Ms. Catherine Pearce	Treasurer/Director of Finance
Ms. Karen Confer	City Clerk

City of Ionia

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

87-88

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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Ionia
Ionia, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of City of Ionia as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

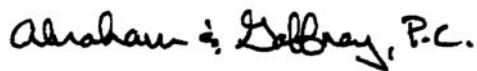
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of City of Ionia as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the City has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of July 1, 2003, along with all related statements and interpretations.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2004 on our consideration of the City of Ionia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Ionia's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Abraham & Gaffney, P.C." in a cursive, slightly stylized font.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 9, 2004

CITY OF IONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

The intent of the management's discussion and analysis is to provide highlights of the City of Ionia's financial activities for the Fiscal Year ended June 30, 2004. Readers are encouraged to read this section in conjunction with the accompanying basic financial statements. Fiscal year 2004 is the first year the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No 34. Therefore this analysis provided few comparisons with the previous fiscal year. Future reports will include financial comparisons to the prior year as required by GASB.

FINANCIAL HIGHLIGHTS

Government-wide:

Assets: The total assets of the City of Ionia did exceed its liabilities by \$17,028,936 (net assets). Of this amount, \$ 3,100,976 (unrestricted net assets) may be used to meet the City of Ionia's ongoing obligations to citizens and creditors. Governmental activities' net assets were \$10,219,204 and Business-type activities' net assets were \$6,809,732. In addition component unit net assets were \$(9,203,121). It is typical for a component unit to only have debt, such as the DDA because the capital purchases/improvements are turned over to the governmental funds, but the debt will always stay with the DDA.

Fund Level:

Unreserved Fund Balance: At the end of the current fiscal year, unreserved fund balance for City of Ionia's governmental funds were \$871,264, or 11.3% of total operating expenditures. The General Fund's fund balance increased by \$298,267. This increase was primarily from the \$270,000 administration fee for the \$4.2 million utility bond which is a one time fee charged at the time of the bond issue. The unreserved Fund Balance is vital in the day to day operations of the City as this allows for fluctuations in cash flows.

Capital and Long-term Debt Activities:

The primary government issued new debt for the fiscal year for the following capital purchases: a) \$842,136 note for a new tanker truck and to refinance existing loans on a ladder truck, a rescue vehicle and other Public Safety equipment purchased in prior years, b) \$87,987 note for a new dump truck for the internal service fund, and c) \$4.2 million for the business type activities through the County Board of Public Works for utility improvements throughout the City.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the City of Ionia consists of the following components: 1) Independent Auditors Report, 2) Management's Discussion and Analysis and 3) the Basic Financial Statements including notes to the financial statement, and 4) Required Supplementary Information such as budget to actual comparisons and Other Supplementary Information including combining financial statements for all nonmajor governmental funds.

CITY OF IONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

Government-wide Financial Statements

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the City of Ionia as a whole, and about its activities. Their purpose is to assist in answering the question, is the City of Ionia, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the accrual basis of accounting, similar to a private business. This means revenues are accounted for when they are earned and expenses are accounted for when incurred, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets represents all the City of Ionia's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during fiscal year 2004. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

Governmental Activities - Most of the City of Ionia's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City's general government departments such as Public Safety, the City Council, Public Works, and Recreation programs are reported under these activities. This also includes the activities such as the Major and Local street maintenance, and the Hall Fowler Memorial Library.

Business-type Activities - These activities operate like private businesses. The City of Ionia charges fees to recover the cost of the services provided. The City's Water & Sewer Systems are considered business-type activities as well as the Theatre and Dial-A-Ride.

Discretely Presented Component Units - Discretely Presented Component units are legally separate organizations for which the City Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City of Ionia. Organizations included as component units: Downtown Development Authority and Local Development Finance Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

CITY OF IONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements. Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

Fund Financial Statements

The fund financial statements provide information on the City's significant (major) funds, and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services funds (Central Garage) as well as enterprise funds such as the Water & Sewer Funds.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined.

The major funds for City of Ionia include the General Fund, Major Streets, Grant Projects, Dial-A-Ride, and the Water & Sewer Funds. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The City of Ionia includes detailed information on its nonmajor funds in other supplementary sections of this report.

The City of Ionia's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

CITY OF IONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

Governmental Funds - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City of Ionia programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).

Proprietary Funds - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. *Internal Service funds* report activities that provide supplies or service to the City of Ionia's other operations, such as the Central Garage Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Fiduciary Funds - The City of Ionia acts as a trustee or fiduciary in certain instances. The City's fiduciary activities are reported in a separate statement of Fiduciary Net Assets on page 17. This fund is reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City of Ionia to fund its operations. The taxes that are collected during the year are paid to the taxing unit of government.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 20 of this report.

Other Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information includes combining financial statements for nonmajor governmental, budget and actual financial statements for nonmajor governmental funds, various schedules for governmental funds, component unit fund financial statements, and schedules of outstanding debt. The nonmajor governmental funds are added together and are presented in aggregate single columns in the appropriate basic financial statements.

CITY OF IONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

FINANCIAL ANALYSIS OF THE CITY OF IONIA AS A WHOLE

The Statement of Net Assets and the Statement of Activities provide the information to determine how the City of Ionia did financially during 2003-2004. The net assets and the changes in them can indicate whether financial health is improving or deteriorating over time. However, other non-financial factors such as changes in economic conditions, and new or changed government legislation also need to be considered in determining the City's financial health. Since this is the first year the City has prepared financial statements following GASB 34, comparisons to fiscal year 2003 are not available.

In examining the composition of these net assets, the reader should note that a portion of the governmental activities' net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc). These assets are used to provide services to the resident and they are not available to pay salaries, operational expenses, or fund capital projects.

NET ASSETS AS OF JUNE 30, 2004

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>
Current Assets	\$ 1,978,843	\$ 415,620	\$ 2,394,463
Non Current Assets	<u>14,428,076</u>	<u>20,267,305</u>	<u>34,695,381</u>
Total Assets	16,406,919	20,682,925	37,089,844
Current Liabilities	1,660,549	750,855	2,411,404
Non Current Liabilities	<u>4,527,166</u>	<u>13,122,338</u>	<u>17,649,504</u>
Total Liabilities	6,187,715	13,873,193	20,060,908
Net Assets			
Invested in Capital Assets (Net of related debt)	9,763,390	3,306,783	13,070,173
Restricted	2,370	855,417	857,787
Unrestricted	<u>453,444</u>	<u>2,647,532</u>	<u>3,100,976</u>
Total Net Assets	<u>\$ 10,219,204</u>	<u>\$ 6,809,732</u>	<u>\$ 17,028,936</u>

CITY OF IONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Ionia's net assets changed during the fiscal year:

CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 1,185,410	\$ 2,619,305	\$ 3,804,715
Operating Grants and Contributions	1,268,124	1,213,562	2,481,686
Capital Grants and Contributions	-	509,141	509,141
General Revenues:			
Property Taxes	923,781	63,833	987,614
Income Tax	1,596,358	-	1,596,358
State Shared Revenue	1,007,005	-	1,007,005
Investment Earnings	11,269	17,450	28,719
Miscellaneous	<u>228,387</u>	<u>22,550</u>	<u>250,937</u>
Total Revenues	6,220,334	4,445,841	10,666,175
Expenses			
General Government	1,820,366	-	1,820,366
Public Safety	2,003,271	-	2,003,271
Public Works	1,271,654	-	1,271,654
Health and Welfare	50,827	-	50,827
Community and Economic Develop.	11,254	-	11,254
Recreation and Cultural	1,058,767	-	1,058,767
Interest on long-term debt	252,156	-	252,156
Dial-A-Ride	-	745,765	745,765
Sewer System	-	1,825,349	1,825,349
Water System	-	1,648,770	1,648,770
Theatre	<u>-</u>	<u>257,851</u>	<u>257,851</u>
Total Expenses	6,468,295	4,477,735	10,946,030
Transfers	<u>69,775</u>	<u>(69,775)</u>	<u>-0-</u>
(Decrease) in Net Assets	(178,186)	(101,669)	(279,855)
Net Assets - Beginning	10,397,390	6,976,978	17,374,368
Prior Period Adjustments	<u>-</u>	<u>(65,577)</u>	<u>(65,577)</u>
Net Assets - Ending	<u>\$ 10,219,204</u>	<u>\$ 6,809,732</u>	<u>\$ 17,028,936</u>

CITY OF IONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

Governmental Activities:

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Changes in Net Assets shows that the Primary Governmental operations had a reduction of net assets by a total of \$(178,186). During the year, the governmental funds had excess depreciation over capital outlay of \$206,269, which does not affect cash but does affect the capital assets.

Revenues:

The three largest revenue categories were Income taxes at 25.7%, Operating Grants and Contributions at 20.4% and Charges for Service at 19.1%. The City of Ionia implemented a City Income Tax in 1994. Residents (individual and business) pay 1% on net earnings, and Non-Residents pay 1/2%. Historically, residents pay 55% of total income tax collected and non-residents 45%. The City reduced the 15 Operating mills of property tax to 3 mills once the income tax was approved. The 3 mills of operating and the income taxes are not assigned to any particular activity. In 2003, the City levied 2 mills for PA 33, for maintaining Public Safety.

Expenses:

Public Safety is the largest governmental activity at 31% of the total expenses. General Government which includes fringe benefits (including Public Safety), administration, elections, code enforcement, and building expenses is second with 28.1% of the expenses. Public Works (roads and roadsides) totaled \$1,271,654, or 19.7%, while Recreation and Cultural was \$1,056,767, or 16.3% out of \$6,468,295 total expenses.

Business-type Activities:

The Change in Net Assets for business-type activity also shows a reduction of \$(101,669). This can be attributed to the recording of Depreciation expense for capital assets. The City does not fund for Depreciation expense in order to keep user fees reasonable for residents. This approach does require the use of bonds and loans in order to pay for capital improvements to assets, which ultimately ties the cost of improvements to the users of the improvements. If the City were to fund depreciation, then users would pay now for improvements to be completed in the future.

FINANCIAL ANALYSIS OF THE CITY OF IONIA'S MAJOR AND NONMAJOR FUNDS

As the City of Ionia completed fiscal year 2004, its governmental funds reported *combined* fund balances of \$50,175. There were prior period adjustments as noted on pages 41-42. This reduced the governmental funds by \$(143,296) for a net decrease in Fund Balance by \$(93,121). The primary reason for prior period adjustments was to show a correction in the amount to be received by the State on the Main Street Brick project at June 30, 2003.

CITY OF IONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

The net changes are summarized in the following chart:

	General Fund	Major Streets	Grant Projects	Nonmajor Governmental Funds
Fund Balance 6/30/03	259,596	233,351	1,043	478,470
Fund Balance 6/30/04	557,863	698	1,354	319,424
Net Change	298,267	(232,653)	311	(159,046)

The General Fund fund balance increased by \$298,267. This increase is reflective of budget management efforts and revenue generating items such as the \$270,000 administration fee for the \$4.2 million utility bond which was a one time fee charged at the time of the bond issue. Another major governmental fund, Major Streets shows that street projects were completed in 2004, when the grant to pay for the project had been received in fiscal year 2003. There were two nonmajor funds that had also contributed to projects in 2004, even though the bond proceeds for the Building Authority and the Sidewalk Program had been received in previous years. These were scheduled projects that were completed shortly after the start of the 2004 year.

General Fund:

The General Fund is the chief operating fund of the City of Ionia. Unless otherwise required by statute, contractual agreement or Board policy, all City of Ionia revenues and expenditures are recorded in the General Fund. As of June 30, 2004, the General Fund reported an unreserved fund balance of \$557,863. This amount is an increase of \$298,267 from the fund balance of \$259,596 reported as of June 30, 2003.

The General Fund fiscal year 2004 expenditures exceeded revenues by \$25,958; however, the net other financing sources of the General Fund of \$324,225 increased the fund balance by \$298,267. Most of this net amount was loan proceeds of \$842,136 for the purchase and refinance of Public Safety Equipment.

General Fund Budgetary Highlights:

The City of Ionia budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is amended during the course of the fiscal year to reflect changing operational demands.

General Fund revenues and other financing sources totaled \$5,195,236; \$31,921 below the final amended budget. Although the bottom line actual varied only 7% from the final amended budget, the widest variation was in the Fire Protection line item from the State of Michigan, reflecting the tightening national and local economy. Significantly, investment income fell \$9,547 below originally anticipated levels due to reduced market interest rates.

The General Fund expenditures and other financing uses totaled \$4,896,969; \$330,188 below the final amended budget. Amendments to the expenditure budget totaled \$1,136,604. Fringe

CITY OF IONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

Benefit calculations were overestimated in the final budget and that line item showed the largest variance.

Major Streets:

The Major Streets revenues exceeded the expenditures by \$164,859 during the fiscal year. However, transfers to the capital street projects fund were \$397,512, which reduced the fund balance by \$232,653 to a balance of \$698 at June 30, 2004. The use of Fund Balance was anticipated to pay for the Cleveland Street project and the East Main/Beardsley project. However, in the process of amending the budget, the total of the two projects was miscalculated and not reflected correctly in the final amended budget request to the City Council. Therefore a sizeable variance of \$123,547 was recorded and noted in the Auditor's finding.

Grant Projects:

The Grant Projects expenditures exceeded the revenues by \$878,813 during the fiscal year. However, transfers in from other funds were \$1,010,288, which resulted in a net increase in fund balance of \$131,475, to a balance of \$1,354 at June 30, 2004. There was a prior period adjustment of (\$131,164) to show a correction in the amount of funding that was to be received from the State of Michigan for the Main Street Brick project as of June 30, 2003. This fund is used to account for several of the City's capital projects and additional details may be found on pages 64 and 65.

Dial-A-Ride:

The Dial-A-Ride fund had an increase to its net assets of \$322,725. This can be attributed to the contribution of capital assets from the Federal and State contracts that Dial-A-Ride has been able to secure. During the 2004 fiscal year, funding for; 1) a communication system including a 320 foot tower - total cost of \$373,797; 2) a 2004, 18 passenger bus - total cost of \$43,447; and 3) completion of a building renovation project, costing \$296,960 were received. DAR's operating revenues were slightly less than last year. Operating Expenses were less by \$36,993 from the previous year, due in part to reduction in service hours on Saturdays and reductions in state operating assistance programs for Specialized Services. Ionia Dial-A-Ride did maintain the fares that were increased in July 2003.

Water Fund:

The Water department fund had a decrease to its net assets of \$202,822 before the prior period adjustment of \$(47,626). Depreciation expense on the capital assets for the year was \$428,708. This amount is not considered in setting rates for Water users. As mentioned previously, it is the practice to bond for capital improvements as they are needed. In the past 5 years, the Water fund has bonded for \$12,840,000 of water system improvements. As a major water user - the State of MI, Department of Corrections has committed to paying for \$5,832,960 of these improvements, which helps to keeps City Water rates at a very reasonable cost for all of the users. Operating expenses increased 15% from previous year costs. Nonoperating costs also increased by 19%, due to the one time administrative fee of \$90,000 paid to the General Fund on the bond issue in April 2004.

CITY OF IONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Sewer Fund:

The Sewer fund had a decrease to its net assets of \$202,529 before the prior period adjustment of \$(17,951). Depreciation expense on the capital assets for the year was \$53,006. This amount is not considered in setting rates for Sewer users. As mentioned previously, it is the practice to bond for capital improvements as they are needed. In the past 5 years, the Sewer fund has bonded for \$2,142,000 of sewer system improvements. As a major sewer user - the State of MI, Department of Corrections has committed to paying 69.44% of the debt on the 1976 & 1990 expansion of the treatment plant, which helps to keeps City Sewer rates at a very reasonable cost for all of the users.

During a rate study process in the spring of 2004, it was determined that the \$1.60/thousand that was being charged for sewer usage was not covering all of the costs. Effective July 1, 2004, the sewer rate was increased.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2004, the City of Ionia had invested \$14,428,076 and \$16,799,283 (net of accumulated depreciation) for governmental and business-type capital assets respectively. Accumulated depreciation was \$12,271,145 for the governmental activities and \$15,837,332 for the business-type activities. Depreciation charges for the fiscal year totaled \$1,041,822 for the governmental activities and \$687,474 for the business-type activities. For more detailed information related to capital assets, refer to Note F to the financial statements.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Land	\$ 350,370	\$ 303,385	\$ 653,755
Construction in progress	1,806,561	658,566	2,465,127
Land Improvements, net	1,311,293	1,803	1,313,096
Buildings, net	1,073,386	-	1,073,386
Vehicles, net	1,358,776	256,095	1,614,871
Furniture/Other, net	2,000,373	1,416,909	3,497,282
Infrastructure, net	6,527,317	-	6,527,317
Structures and improvements	<u>-</u>	<u>14,082,525</u>	<u>14,082,525</u>
 Capital assets, net	 <u>\$ 14,428,076</u>	 <u>\$ 16,799,283</u>	 <u>\$31,227,359</u>

Long-term Debt

As of June 30, 2004, the City of Ionia had \$18,699,048 in bonds, notes and accumulated vacation and sick time outstanding. Of this amount, \$17,022,500 is bonds, \$541,862 is sick and vacation, and \$1,134,686 is loans and notes (refer to Note G). This level of net obligation is \$2,953,089 more than the obligation recorded as of June 30, 2003. This was mainly due to the purchase of the Public Safety Tanker Truck and the \$4.2 million utility bond through the County Board of Public Works, a portion of which is being paid by the Ionia Area Sewage Disposal System, a joint venture between the City and surrounding Townships.

CITY OF IONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

Outstanding Debt and Debt Limit as of June 30, 2004:

2004 State Equalized Valuation	\$135,119,322
Plus Assessed Value of IFT Certificates	<u>19,895,266</u>
Total Valuation	\$155,014,588

DEBT LIMIT (10% of SEV) \$ 15,501,459

	<u>7/1/2003</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>6/30/2004</u>
PRIMARY GOVERNMENT				
Governmental Activities:				
Bonds	\$ 3,825,000	\$ -	\$ 295,000	\$ 3,530,000
Loans	867,872	930,123	663,309	1,134,686
Component Units: DDA Bonds	7,055,000	-	630,000	6,425,000
DDA Loan	1,757,110	43,095	-	1,800,205
LDFA Loan	649,370	32,878	8,117	674,131
Accumulated Vacation & Sick	<u>499,925</u>	<u>12,367</u>	<u>-</u>	<u>512,292</u>
TOTAL Governmental Activities and Component Units:	14,654,277	1,018,463	1,596,426	14,076,314
Business-Type Activities				
Water & Sewer Bonds	10,527,250	3,360,000	394,750	13,492,500
Accumulated Vacation & Sick	<u>84,828</u>	<u>7,623</u>	<u>-</u>	<u>92,451</u>
TOTAL Business Type Activities	<u>10,612,078</u>	<u>3,367,623</u>	<u>394,750</u>	<u>13,584,951</u>
TOTAL REPORTING ENTITY	\$ 25,266,355	\$ 4,386,086	\$ 1,991,176	\$ 27,661,265
Less debt which is not included in Debt Margin				<u>(19,881,265)</u>
TOTAL DEBT LIMITED TO 10% OF SEV				<u>7,780,000</u>
Legal Debt Margin				<u>\$ 7,721,459</u>

Limitations on Debt:

State statute limits the City of Ionia debt obligations to 10 percent of the current state equalized value (SEV) with deductions from the total debt for special assessments, revenue bonds, and transportation bonds. The City of Ionia's SEV as of June 30, 2004 was \$155 million; therefore the City's debt limitation was \$15.5 million. The City of Ionia remains below its legal debt limit by \$7.7 million after adjusting the total debt of \$27.6 million by the bonds and other debt that are exempt from the calculation. The bonds that are currently outstanding represent a broad range of city-wide improvements to utilities, roads, equipment, street lights, and sidewalks. These capital projects replace outdated equipment and deteriorating infrastructure.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS

The City of Ionia continues to levy one of the lowest millage rates of cities in West Michigan - three mills. The City Council did designate two mills for fire protection in addition to the three general operating mills for the second year in a row because of the uncertainty over State of Michigan finances. However, the City remains 10 mills below its charter cap.

CITY OF IONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

The City has implemented a comprehensive Asset Management Strategy with all transportation related issues completed in 2004. The theory of Asset Management: that for every \$1 spent on maintenance, \$2 to \$5 can be saved in reconstruction costs has been demonstrated in a short time frame. By repairing roads on an aggressive manner through crack sealing and routine maintenance, a longer life can be given and costly reconstruction delayed. The City is in the third year of rebuilding its street system along with its underground utilities. The goal is to provide residents, businesses and visitors with good to excellent streets; newer water mains; properly designed storm sewer collection; and newer sanitary sewers. By rebuilding and maintaining the system, costly sewage back-ups, neighborhood flooding, and water main breaks are avoided.

In 2004, the City of Ionia became the first City to file and have approved its Asset Management Plan in compliance with Public Act 9 of 2004 which then allows the City to transfer funds from major streets to local streets. That plan has served as a model for the rest of the State of Michigan and is indicative of the efforts put forth by City staff. All Ionia road surfaces have been rated nearly two years ahead of the timetable set forth in the Asset Management Act for Transportation that is also known as Public Act 499 of 2002.

Ionia leads not just in roads but also in the area of public transportation. The City has been the recipient of a \$385,000 grant to build a communication system for today as well as tomorrow; an additional \$800,000 is being sought in 2006 to complete the project which replaces a county-controlled 1969-technology system. The new communication system is a model for the rest of the state and the future improvements will link not only Public Transportation but all City Departments as well as the State of Michigan. Public Transportation buildings and equipment have been updated during the past two years using the Asset Management Strategy and state/federal grants. New buses are expected in 2005 which continues to give Ionia the most up-to-date fleet in the state.

The Asset Management Strategy is being fully developed in Public Works and Public Utilities departments with Accreditation models serving as the policy criteria to ensure all city systems are current. New wells have been placed and, with an eye to the future, additional well sites are being required of new planned development on the north side. These sites will be deeded and wells placed at no cost to the City as a part of the development.

Ionia became only the second City in Michigan, smallest City in the country, and one of only three Public Safety Departments and one of only 84 fire departments in the world to achieve Accreditation of its Fire Services through the Commission on Fire Accreditation International.

This achievement demonstrates the outstanding performance and administration that has been put in place for the Agency. Because of its efforts, the department is serving as a pilot for a new insurance rating system being developed by the Insurance Standards Organization (ISO) and is also acting as a pilot for a new national training program to train firefighters in building inspection programs through the Department of Homeland Security.

CITY OF IONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

Ionia has also put in place an outstanding Department of Information Technology. The City's efforts have been recognized at both the State and National level for Geographic Information Systems. The State of Michigan has expressed a desire to partner with the City to enhance its GIS capabilities during 2005. Information will also be uploaded to the Federal Emergency Management Agency and United States Geological Service to update the "National Map" and, subsequently, flood maps for the City that are based on largely-erroneous data that is more than 50 years old.

The State of Michigan continues its financial debacle. Projections of revenues continue to lag far behind estimates and the legislature continues to talk "cuts" in the rates of both business and residential tax rates. The state budget, by and large, has been balanced with a gimmickry of collection shifts, deferred payments, and fund transfers. No serious effort has been undertaken by Lansing to correct the structural deficit which has now become part of the Michigan finance model.

For that reason, the efforts to maintain and manage the City's assets become more critical. With less funds available for general expenses, not to mention reconstruction, maintenance of the city's assets helps to stretch existing dollars further and more wisely. Prioritizing not only repairs but reconstruction helps present a picture for tomorrow as well as long-term.

Business and Industry continue to expand in Ionia. The major employers in the City have all added jobs in the past year with significant investments of capital as well. New contracts have been signed with national companies and employment has increased. Retail has seen an explosion of additions in the Ionia area with a new Wal-Mart, Meijer, Lowe's, and Walgreens. Tax-sharing arrangements have been created with the townships or the development is being transferred to the City. Plans are also being finalized for redevelopment of a Rite Aid Store. In addition, three major residential developments have been approved by the planning commission. The additions add up to 950 homes to the City. In addition, a modular home park has added 140 new sites just outside the City.

The City will also be home to several major entertainment events. The major events begin with the Ionia Steam Gas and Engine Show that has signed a contract which will make it a national event, followed by the FoxFest, a classic rock show that will draw 40,000 or more, the B-93 Birthday Bash that draws 80,000 country music fans, the 13th Largest Free Fair in the World with an emphasis on major headliners, and negotiation continues with several other stellar events. All will be held at the Ionia Fairgrounds, a city owned park adjacent to the downtown business district. The events should lead to a better financed Fair Association which maintains the nearly 500 acre fairgrounds park for the City.

All City labor contracts are current and multi-year with the exception of the Clerical Contract that expires in 2005. The major challenge continues to be containing and controlling health care costs. To that end, the City has dropped Blue Cross-Blue Shield coverage and switched to Priority Health with a variety of co-pays. It has resulted in controlling the spiraling cost of health care but unless action is taken at the state and national level, this could put financial pressures on the city in the future. Coverage has been dropped for all retirees; insurance is provided only to currently employed persons.

CITY OF IONIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

CONTACTING THE CITY OF IONIA

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of Ionia Treasurer's Office at (616) 527-4170, ext. 120 or via email: cathy@ci.ionia.mi.us

BASIC FINANCIAL STATEMENTS

City of Ionia

STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government			
	Governmental	Business-	Total	Component
	Activities	type		Units
		Activities		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 557,375	\$ 43,015	\$ 600,390	\$ (583,796)
Receivables	384,131	554,902	939,033	14,224
Due from other governmental units	788,624	40,664	829,288	-
Inventory	-	23,102	23,102	-
Due from fiduciary fund	1,996	198	2,194	1,061
Prepaid expenses	-	456	456	-
Internal balances	246,717	(246,717)	-0-	-
Total current assets	1,978,843	415,620	2,394,463	(568,511)
Noncurrent assets				
Cash and cash equivalents - restricted	-	822,834	822,834	-
Investments - restricted	-	117,004	117,004	-
Deposit with county	-	2,528,184	2,528,184	-
Construction in progress	-	658,566	658,566	-
Capital assets, net	14,428,076	16,140,717	30,568,793	375,256
Total noncurrent assets	14,428,076	20,267,305	34,695,381	375,256
TOTAL ASSETS	16,406,919	20,682,925	37,089,844	(193,255)
LIABILITIES				
Current liabilities				
Accounts payable	380,711	77,452	458,163	239
Accrued liabilities	54,631	11,082	65,713	-
Accrued interest payable	103,776	100,449	204,225	110,091
Due to other governmental units	-	28,112	28,112	-
Customer deposits	-	63,570	63,570	-
Deferred revenue	471,619	7,577	479,196	200
Current portion of compensated absences	128,074	23,113	151,187	-
Current portion of long-term debt	521,738	439,500	961,238	837,494
Total current liabilities	1,660,549	750,855	2,411,404	948,024
Noncurrent liabilities				
Compensated absences	384,218	69,338	453,556	-
Noncurrent portion of long-term debt	4,142,948	13,053,000	17,195,948	8,061,842
Total noncurrent liabilities	4,527,166	13,122,338	17,649,504	8,061,842
TOTAL LIABILITIES	6,187,715	13,873,193	20,060,908	9,009,866
NET ASSETS				
Invested in capital assets, net of related debt	9,763,390	3,306,783	13,070,173	(7,849,949)
Restricted for:				
Streets	1,016	-	1,016	-
Debt service	-	855,417	855,417	-
Grant activities	1,354	-	1,354	-
Unrestricted	453,444	2,647,532	3,100,976	(1,353,172)
TOTAL NET ASSETS	<u>\$ 10,219,204</u>	<u>\$ 6,809,732</u>	<u>\$ 17,028,936</u>	<u>\$ (9,203,121)</u>

See accompanying notes to financial statements.

City of Ionia

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Program Revenues		Primary Government		Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary government:						
Governmental activities						
General government	\$ 1,820,366	\$ 723,455	\$ -	\$ -	\$ (1,096,911)	\$ -
Public safety	2,003,271	172,416	33,990	-	(1,796,865)	-
Public works	1,271,654	197,284	904,877	-	(169,493)	-
Health and welfare	50,827	-	-	-	(50,827)	-
Community and economic development	11,254	-	-	-	(11,254)	-
Recreation and cultural	1,058,767	92,255	259,482	-	(707,030)	-
Interest on long-term debt	252,156	-	69,775	-	(182,381)	-
Total governmental activities	6,468,295	1,185,410	1,268,124	-0-	(4,014,761)	-0-
Business-type activities:						
Dial-a-ride	745,765	97,197	394,851	509,141	-	255,424
Sewer system	1,825,349	1,318,507	320,748	-	(186,094)	-
Water system	1,648,770	968,892	497,963	-	(181,915)	-
Theatre	257,851	234,709	-	-	(23,142)	-
Total business-type activities	4,477,735	2,619,305	1,213,562	509,141	(135,727)	-0-
Total primary government	\$ 10,946,030	\$ 3,804,715	\$ 2,481,686	\$ 509,141	(4,014,761)	(4,150,488)
Component units:						
Downtown Development Authority	\$ 519,711	\$ -	\$ -	\$ -	-	(519,711)
Local Development Finance Authority	2,668	-	-	-	-	(2,668)
Total component units	\$ 522,379	\$ -0-	\$ -0-	\$ -0-	-0-	(522,379)
General revenues:						
Property taxes					923,781	63,833
Income taxes					1,596,358	-
Special assessments					13,924	-
State shared revenue					1,007,005	-
Investment earnings					17,450	28,719
Miscellaneous					22,550	237,013
Transfers					69,775	(69,775)
Total general revenues and transfers					3,836,575	34,058
Change in net assets					(178,186)	(101,669)
Net assets, beginning of the year					10,397,390	6,976,978
Prior period adjustments					-	(65,577)
Net assets, end of the year					\$ 10,219,204	\$ 6,809,732
					\$ 17,028,936	\$ (9,203,121)

See accompanying notes to financial statements

City of Ionia
GOVERNMENTAL BALANCE SHEET
June 30, 2004

	General	Major Streets	Grant Projects
ASSETS			
Cash and cash equivalents	\$ 386,568	\$ (70,592)	\$ (264,027)
Receivables			
Taxes	188,037	-	-
Accounts	93,188	80	-
Interest	5,669	-	-
Special assessments	36,998	-	-
Due from other funds	1,534	-	246,717
Due from other governmental units			
State	116,959	75,715	127,307
Local	-	-	61,680
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 828,953</u>	<u>\$ 5,203</u>	<u>\$ 171,677</u>
LIABILITIES			
Accounts payable	\$ 161,375	\$ 1,118	\$ 170,323
Accrued wages	31,814	3,146	-
Other accrued liabilities	10,374	241	-
Deferred revenue	67,527	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	271,090	4,505	170,323
FUND EQUITY			
Fund balances			
Reserved for			
Debt service	-	-	-
Grant activities	-	-	1,354
Sick pay	-	-	-
Unreserved - undesignated	557,863	698	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	557,863	698	1,354
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 828,953</u>	<u>\$ 5,203</u>	<u>\$ 171,677</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 375,461	\$ 427,410
13,676	201,713
1,130	94,398
-	5,669
9,805	46,803
462	248,713
251,584	571,565
155,379	217,059
<u>\$ 807,497</u>	<u>\$ 1,813,330</u>
\$ 38,940	\$ 371,756
7,472	42,432
571	11,186
441,090	508,617
488,073	933,991
6,385	6,385
-	1,354
336	336
312,703	871,264
319,424	879,339
<u>\$ 807,497</u>	<u>\$ 1,813,330</u>

City of Ionia

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2004

Total fund balance - governmental funds \$ 879,339

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 20,842,435	
Accumulated depreciation is	<u>(6,414,359)</u>	
Capital assets, net		14,428,076

Internal Service Funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities
of the Internal Service Funds are included in the governmental activities
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	622,454	
Net capital assets of Internal Service Funds included in total capital assets above	(756,624)	
Long-term liabilities of Internal Service Fund included in total long-term liabilities below	<u>289,715</u>	
		155,545

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue		36,998
------------------	--	--------

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Bonds, loans, and capital leases payable	4,664,686	
Accrued interest payable	103,776	
Compensated absences	<u>512,292</u>	
		<u>(5,280,754)</u>

Net assets of governmental activities \$ 10,219,204

See accompanying notes to financial statements.

City of Ionia

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended June 30, 2004

	General	Major Streets	Grant Projects
REVENUES			
Taxes	\$ 2,075,411	\$ -	\$ -
Licenses and permits	14,564	-	-
Intergovernmental	1,040,995	641,842	149,776
Charges for services	955,292	-	-
Fines and forfeits	38,300	-	-
Interest and rents	82,403	1,582	-
Other	129,735	-	-
TOTAL REVENUES	4,336,700	643,424	149,776
EXPENDITURES			
General government	1,787,828	-	-
Public safety	1,795,546	-	-
Public works	55,244	444,870	-
Health and welfare	50,827	-	-
Community and economic development	11,254	-	-
Recreation and cultural	59,746	-	-
Capital outlay	-	-	1,028,589
Debt service	602,213	33,695	-
TOTAL EXPENDITURES	4,362,658	478,565	1,028,589
EXCESS OF REVENUES (UNDER) EXPENDITURES	(25,958)	164,859	(878,813)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	16,400	-	1,010,288
Operating transfers out	(534,311)	(397,512)	-
Proceeds from notes	842,136	-	-
TOTAL OTHER FINANCING SOURCES (USES)	324,225	(397,512)	1,010,288
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	298,267	(232,653)	131,475
Fund balances, beginning of year	259,596	233,351	1,043
Prior period adjustments	-	-	(131,164)
Fund balances, end of year	\$ 557,863	\$ 698	\$ 1,354

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals (Memorandum Only)
\$ 444,728	\$ 2,520,139
-	14,564
347,812	2,180,425
64,404	1,019,696
160,965	199,265
33,901	117,886
38,624	168,359
1,090,434	6,220,334
27,431	1,815,259
-	1,795,546
258,918	759,032
-	50,827
-	11,254
824,849	884,595
272,657	1,301,246
471,791	1,107,699
1,855,646	7,725,458
(765,212)	(1,505,124)
770,255	1,796,943
(151,957)	(1,083,780)
-	842,136
618,298	1,555,299
(146,914)	50,175
478,470	972,460
(12,132)	(143,296)
\$ 319,424	\$ 879,339

City of Ionia

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 50,175

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	\$ (1,041,822)	
Capital outlay	<u>835,553</u>	
Excess of depreciation expense over capital outlay		(206,269)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in Net Assets of Internal Service Funds	432	
Net transfers from governmental funds	960	
Depreciation expense of Internal Service Funds included in the total above	115,939	
Capital outlay of Internal Service Funds included in the total above	(143,368)	
Loan principal retirement of Internal Service Funds included in the total below	(86,519)	
Loan proceeds of Internal Service Funds included in the total below	<u>87,987</u>	
		(24,569)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond, loan, and capital lease principal retirement	958,309	
Loan proceeds	<u>(930,123)</u>	
		28,186

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(16,239)	
(Increase) in accrued compensated absences	<u>(9,470)</u>	
		(25,709)

Change in net assets of governmental activities \$ (178,186)

See accompanying notes to financial statements.

City of Ionia

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2004

	Business-type		
	Dial-A-Ride	Sewer	Water
ASSETS			
Current assets			
Cash and cash equivalents	\$ 215,647	\$ (122,631)	\$ (65,822)
Accounts receivable	124	238,731	310,345
Taxes receivable	5,702	-	-
Due from fiduciary fund	198	-	-
Due from other governmental units - State	40,664	-	-
Prepaid expenses	456	-	-
Inventory	-	-	23,102
Total current assets	262,791	116,100	267,625
Noncurrent assets			
Cash and cash equivalents - restricted	-	-	822,834
Investments - restricted	-	15,000	102,004
Deposits with County	-	947,977	1,580,207
Construction in progress	-	243,084	415,482
Capital assets, net	1,093,842	1,947,539	12,683,642
Total noncurrent assets	1,093,842	3,153,600	15,604,169
TOTAL ASSETS	1,356,633	3,269,700	15,871,794
LIABILITIES			
Current liabilities			
Accounts payable	20,875	8,688	39,846
Accrued interest payable	-	31,028	69,421
Accrued wages	-	1,821	2,925
Other accrued liabilities	5,036	139	224
Due to other governmental units - local	-	28,112	-
Due to other funds	-	92,519	154,198
Deferred revenue	7,577	-	-
Current portion of accrued vacation and sick pay	15,720	3,428	3,965
Current portion of long-term debt	-	24,500	415,000
Total current liabilities	49,208	190,235	685,579
Noncurrent liabilities			
Customer deposits payable	-	-	63,570
Accrued vacation and sick pay	47,161	10,284	11,893
Bonds payable	-	2,093,000	10,960,000
Total noncurrent liabilities	47,161	2,103,284	11,035,463
TOTAL LIABILITIES	96,369	2,293,519	11,721,042
NET ASSETS			
Invested in capital assets, net of related debt	1,093,842	73,123	1,724,124
Restricted for debt service	-	-	855,417
Unrestricted	166,422	903,058	1,571,211
TOTAL NET ASSETS	\$ 1,260,264	\$ 976,181	\$ 4,150,752

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Business-type Fund (Theatre)	Total	Internal Service (Central Garage)
\$ 15,821	\$ 43,015	\$ 129,965
-	549,200	35,548
-	5,702	-
-	198	-
-	40,664	-
-	456	-
-	23,102	-
15,821	662,337	165,513
-	822,834	-
-	117,004	-
-	2,528,184	-
-	658,566	-
415,694	16,140,717	756,624
415,694	20,267,305	756,624
431,515	20,929,642	922,137
8,043	77,452	8,955
-	100,449	7,399
870	5,616	941
67	5,466	72
-	28,112	-
-	246,717	-
-	7,577	-
-	23,113	3,455
-	439,500	75,133
8,980	934,002	95,955
-	63,570	-
-	69,338	10,363
-	13,053,000	193,365
-0-	13,185,908	203,728
8,980	14,119,910	299,683
415,694	3,306,783	488,126
-	855,417	-
6,841	2,647,532	134,328
\$ 422,535	\$ 6,809,732	\$ 622,454

City of Ionia

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS

Year Ended June 30, 2004

	Business-type		
	Dial-A-Ride	Sewer	Water
OPERATING REVENUES			
Charges for services	\$ 97,197	\$ 1,318,507	\$ 968,892
Equipment rental	-	-	-
TOTAL OPERATING REVENUES	97,197	1,318,507	968,892
OPERATING EXPENSES			
Administrative	89,240	168,817	308,915
Operations	435,864	74,652	80,146
Well field	-	-	209,488
Treatment plant	-	888,357	-
Maintenance	52,748	89,938	98,570
Maintenance on hydrants	-	-	27,025
Depreciation	167,913	53,006	428,708
TOTAL OPERATING EXPENSES	745,765	1,274,770	1,152,852
OPERATING INCOME (LOSS)	(648,568)	43,737	(183,960)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	1,466	3,816	12,017
Taxes	63,833	-	-
Intergovernmental			
Federal	505,976	-	-
State	376,492	320,748	497,963
Local	21,524	-	-
Other revenue	-	14,636	1,964
Gain on sale of equipment	2,002	-	-
Contribution to local unit	-	(497,962)	-
Interest expense	-	(52,617)	(493,931)
Paying agent fees	-	-	(1,987)
TOTAL NONOPERATING REVENUES (EXPENSES)	971,293	(211,379)	16,026
NET INCOME (LOSS) BEFORE TRANSFERS	322,725	(167,642)	(167,934)
TRANSFERS IN (OUT)			
Transfers in from other funds	-	-	-
Transfers out to other funds	-	(34,887)	(34,888)
TOTAL TRANSFERS IN (OUT)	-0-	(34,887)	(34,888)
NET INCOME (LOSS)	322,725	(202,529)	(202,822)
Net assets, beginning of year	937,539	1,196,661	4,401,200
Prior period adjustments	-	(17,951)	(47,626)
Net assets, end of year	\$ 1,260,264	\$ 976,181	\$ 4,150,752
See accompanying notes to financial statements.			

Activities		Governmental Activities
Nonmajor Business-type Fund (Theatre)	Total	Internal Service (Central Garage)
\$ 234,709	\$ 2,619,305	\$ 515,315
-	-0-	378,063
234,709	2,619,305	893,378
-	566,972	77,149
220,002	810,664	692,479
-	209,488	-
-	888,357	-
-	241,256	-
-	27,025	-
37,849	687,476	115,939
257,851	3,431,238	885,567
(23,142)	(811,933)	7,811
151	17,450	793
-	63,833	-
-	505,976	-
-	1,195,203	-
-	21,524	-
3,948	20,548	442
-	2,002	4,538
-	(497,962)	-
-	(546,548)	(13,719)
-	(1,987)	(393)
4,099	780,039	(8,339)
(19,043)	(31,894)	(528)
-	-0-	30,413
-	(69,775)	(29,453)
-0-	(69,775)	960
(19,043)	(101,669)	432
441,578	6,976,978	621,531
-	(65,577)	491
<u>\$ 422,535</u>	<u>\$ 6,809,732</u>	<u>\$ 622,454</u>

City of Ionia

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2004

	Business-type		
	Dial-A-Ride	Sewer	Water
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 96,614	\$ 1,304,371	\$ 967,447
Cash paid to suppliers	(312,266)	(1,020,100)	(570,895)
Cash paid for employee benefits	-	(21,833)	(25,309)
Cash paid to employees	(267,982)	(51,568)	(44,256)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(483,634)	210,870	326,987
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other nonoperating revenues	-	14,636	1,964
Taxes	64,618	-	-
Intergovernmental sources	387,357	320,748	497,963
Transfers out	-	(34,887)	(34,888)
Transfers in	-	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	451,975	300,497	465,039
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	(524,604)	(251,205)	(650,640)
Interest expense	-	(52,617)	(493,931)
Proceeds from the sale of equipment	2,002	-	-
Capital grants	524,604	-	-
Paying agent fees	-	-	(1,987)
Bond and note proceeds	-	315,943	541,871
Contribution to local unit	-	(497,962)	-
Principal payments	-	(12,250)	(382,500)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	2,002	(498,091)	(987,187)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	-	(102,004)
Maturity of investments	-	-	15,000
Interest revenue	1,466	3,816	12,017
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,466	3,816	(74,987)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,191)	17,092	(270,148)
Cash and cash equivalents, beginning of year	243,838	(139,723)	1,027,160
Cash and cash equivalents, end of year	<u>\$ 215,647</u>	<u>\$ (122,631)</u>	<u>\$ 757,012</u>

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Business-type Fund (Theatre)	Total	Internal Service (Central Garage)
\$ 234,937 (173,287) (3,361) (40,724)	\$ 2,603,369 (2,076,548) (50,503) (404,530)	\$ 881,079 (202,826) (44,524) (533,636)
17,565	71,788	100,093
3,948	20,548	442
-	64,618	-
-	1,206,068	-
-	(69,775)	(29,453)
-	-0-	30,413
3,948	1,221,459	1,402
-	(1,426,449)	(143,368)
-	(546,548)	(13,719)
-	2,002	4,538
-	524,604	-
-	(1,987)	(393)
-	857,814	87,987
-	(497,962)	-
-	(394,750)	(86,519)
-	(1,483,276)	(151,474)
-	(102,004)	-
-	15,000	-
151	17,450	793
151	(69,554)	793
21,664	(259,583)	(49,186)
(5,843)	1,125,432	179,151
\$ 15,821	\$ 865,849	\$ 129,965

City of Ionia

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED

Year Ended June 30, 2004

	Business-type		
	Dial-A-Ride	Sewer	Water
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (648,568)	\$ 43,737	\$ (183,960)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation	167,913	53,006	428,708
(Increase) decrease in receivables	(124)	(14,136)	(1,445)
(Increase) in due from fiduciary fund	(195)	-	-
(increase) in prepaid expenses	(107)	-	-
(Increase) in inventory	-	-	(3,314)
Increase (decrease) in accounts payable	2,887	3,040	(84,351)
Increase (decrease) in accrued interest payable	-	13,077	21,795
Increase (decrease) in due to other funds	-	92,519	154,198
(Decrease) in accrued liabilities	(4,981)	(226)	(3,086)
Increase in due to other governmental units	-	19,853	-
(Decrease) in deferred revenue	(459)	-	-
(Decrease) in customer deposits	-	-	(1,558)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (483,634)</u>	<u>\$ 210,870</u>	<u>\$ 326,987</u>

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Business-type Fund (Theatre)	Total	Internal Service (Central Garage)
\$ (23,142)	\$ (811,933)	\$ 7,811
37,849	687,476	115,939
228	(15,477)	(12,299)
-	(195)	-
-	(107)	-
-	(3,314)	-
3,663	(74,761)	(11,791)
-	34,872	934
-	246,717	-
(1,033)	(9,326)	(501)
-	19,853	-
-	(459)	-
-	(1,558)	-
<u>\$ 17,565</u>	<u>\$ 71,788</u>	<u>\$ 100,093</u>

City of Ionia

STATEMENT OF NET ASSETS - FIDUCIARY FUND

June 30, 2004

	Current Tax Collection Fund
ASSETS	
Cash	\$ 18,114
Due from component unit	47
TOTAL ASSETS	<u>\$ 18,161</u>
LIABILITIES	
Due to other funds	
General	\$ 1,534
Environmental Bond	440
Dial-A-Ride	198
Library	22
Due to component units	
Downtown Development Authority	1,108
Due to other governmental units	
State	1,907
County	262
Schools	5,892
Undistributed taxes	6,798
TOTAL LIABILITIES	<u>\$ 18,161</u>

See accompanying notes to financial statements.

City of Ionia

COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2004

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
ASSETS			
Current assets			
Cash and cash equivalents	\$ (585,542)	\$ 1,746	\$ (583,796)
Receivables	9,843	4,381	14,224
Due from fiduciary fund	1,108	-	1,108
Total current assets	(574,591)	6,127	(568,464)
Noncurrent assets			
Capital assets, net	375,256	-	375,256
TOTAL ASSETS	(199,335)	6,127	(193,208)
LIABILITIES			
Current liabilities			
Accounts payable	239	-	239
Accrued interest payable	110,091	-	110,091
Due to fiduciary fund	-	47	47
Deferred revenue	200	-	200
Current portion of long-term debt	837,494	-	837,494
Total current liabilities	948,024	47	948,071
Noncurrent liabilities			
Noncurrent portion of long-term debt	7,387,711	674,131	8,061,842
TOTAL LIABILITIES	8,335,735	674,178	9,009,913
NET ASSETS			
Invested in capital assets, net of related debt	(7,849,949)	-	(7,849,949)
Unrestricted	(685,121)	(668,051)	(1,353,172)
TOTAL NET ASSETS	\$ (8,535,070)	\$ (668,051)	\$ (9,203,121)

See accompanying notes to financial statements.

City of Ionia

STATEMENT OF ACTIVITIES - COMPONENT UNITS

Year Ended June 30, 2004

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
Program Expenses			
Community and economic development	\$ 519,711	\$ 2,668	\$ 522,379
Program Revenues	-	-	-0-
NET PROGRAM EXPENSES	(519,711)	(2,668)	(522,379)
General Revenues			
Property taxes	846,965	11,377	858,342
Interest	195	59	254
TOTAL GENERAL REVENUES	847,160	11,436	858,596
CHANGE IN NET ASSETS	327,449	8,768	336,217
Net assets, beginning of the year	(8,862,519)	(676,819)	(9,539,338)
Net assets, end of the year	<u><u>\$ (8,535,070)</u></u>	<u><u>\$ (668,051)</u></u>	<u><u>\$ (9,203,121)</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ionia is located in Ionia County, Michigan and has a population of approximately 10,000. The City of Ionia operates with a City Manager/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has eight (8) City Council members who are elected at large for overlapping four (4) year terms, and a Mayor and City Clerk who are elected at large for four (4) year terms. The Council appoints the City Manager, Treasurer, and Assessor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of the City of Ionia (primary government) and the Downtown Development Authority and Local Development Finance Authority (component units).

The component unit columns in the basic financial statements include the financial data of the City's component units (Downtown Development Authority and Local Development Finance Authority). They are reported in a separate column to emphasize that they are legally separate from the City.

The governing bodies of the Downtown Development Authority and Local Development Finance Authority are appointed by the City Council, their budgets are subject to the approval of the City Council, the City temporarily relinquishes part of its tax base to the Authorities (tax increment revenues), and the City has pledged its full faith and credit towards payment of the Component Units' debt.

The financial statements of the Ionia Building Authority have been blended with the City's Debt Service and Capital Projects Funds.

Based upon the application of these criteria, the basic financial statements of the City of Ionia contain all the funds and account groups controlled by the City Council.

2. Joint Venture

The City participates in the following activity, which is considered to be a joint venture in relation to the City, due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Ionia Area Sewage Disposal System - The City of Ionia, along with the Townships of Easton, Ionia, Berlin, and Orange have entered into an agreement with the County of Ionia, which created the Ionia Area Sewage Disposal System (SDS). The purpose of the SDS is to construct, improve, enlarge, extend, operate, and maintain all sanitary sewers, storm sewers, combined sanitary and storm sewers, plants, and works used in connection with the collection, treatment, or disposal of sewage for the benefit of the constituent municipalities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**2. Joint Venture - continued**

The City of Ionia operates, administers, and maintains the SDS on behalf of the County and Townships. The annual budget of the SDS is prepared by the City and adopted by City Council. The proposed budget and allocation of costs are submitted to the County and Townships at least sixty (60) days prior to the beginning of each fiscal year. The Townships have thirty (30) days to advise the City of any objections to the proposed budget and allocations. Objections that cannot be resolved are brought before a review board consisting of one (1) appointed member from each constituent municipality and the County Board of Public Works. All actions of the review board are made by a majority vote.

The allocation of costs of the SDS to the constituent municipalities is based on usage of the system as measured by billable flow. During 1996, the City began to directly bill Ionia Township SDS customers. As a result, the City's allocation of costs includes the portion of costs that had been charged to Ionia Township in the past. On December 1, 2001, the City began to directly bill Easton Township SDS customers for operating costs and fixed asset reserves. As a result, the City's allocation of costs includes a portion of costs that would have been charged to Easton Township in the past. The Township continues to make contributions to SDS to fund their portion of the debt service requirements. For the year ended June 30, 2004, the City contributed \$888,357 to cover the City's and Townships' share of operational costs and \$497,962 to cover the City's and Townships' share of principal and interest portions of long-term debt issued by the County for the benefit of the SDS.

Funding of operating costs and the capital asset reserve as based on annual participant usage is currently as follows:

City of Ionia	86.96%
Ionia Township	7.32%
Berlin Township	5.72%

Funding of debt service as based on annual participant usage is currently as follows:

City of Ionia	83.43%
Ionia Township	7.32%
Berlin Township	5.72%
Easton Township	3.53%

The City has not recorded an asset in the Enterprise Fund Type related to SDS due to not having documented an "equity interest" in SDS for accounting purposes. To document an "equity interest", the City would need to document an explicit, measurable right to the net resources of SDS.

The financial activities of the SDS are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended June 30, 2004 are available at the City's administrative offices. The following financial information is a summary of the activity for the year ended June 30, 2004:

Total assets	\$ 12,368,304
Total liabilities	4,480,263
Total net assets	7,888,041
Total operating revenue	934,684
Total nonoperating revenues	573,661
Total operating expenses	1,288,532
Total nonoperating expenses	159,036
Change in net assets	60,777

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for the financial resources that are used for repairs and maintenance of the City's major streets.
- c. The Grant Projects Fund is used to account for grant funded capital projects.
- d. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- e. The Water System Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- f. The Dial-A-Ride Fund is used to account for the operations to provide public transportation services to residents of the City of Ionia and the greater Ionia area.

4. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The City Department heads present proposed departmental operating expenditure budgets to the City Manager for the fiscal year commencing the following July 1.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Budgets and Budgetary Accounting - continued

- b. The City Manager submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- c. A Public Hearing is conducted to obtain taxpayers' comments.
- d. Prior to July 1, the budget is legally enacted through passage of resolution.
- e. The budget is legally adopted at the total expenditure level for all funds; however, they are maintained at the account level for control purposes. The City Manager is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
- f. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

7. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and pooled investment accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments include certificates of deposit with original maturities of greater than 90 days from the date of purchase. All certificates of deposit are stated at cost, which approximates market value.

8. Property Tax

The City of Ionia bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of Ionia on July 1 and December 1 and are payable without penalty through July 31 and February 14, respectively. The July 1 levy is composed of the City's millage, special assessments, and school taxes. The December 1 levy is composed of County and school taxes. All real property taxes not paid to the City by March 1 are turned over to the Ionia County Treasurer for collection. The Ionia County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Tax Account Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by ordinance to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended June 30, 2004, the City levied 3.0000 mills per \$1,000 of taxable valuation for general governmental services. In addition, the City levied 1.75 mills for environmental clean-up debt service, 2.0000 mills for Public Safety, and .7492 mills for Dial-A-Ride services. For the year ended June 30, 2004, the Library levied a countywide millage of .9525 mills per \$1,000 of assessed valuation.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Income Tax Revenues

In accordance with GASB Statement No. 22, Accounting for Taxpayer - Assessed Tax Revenues in Governmental Funds, the City has recognized taxpayer-assessed taxes, net of estimated refunds, as revenue in the accounting period in which they become susceptible to accrual (i.e., measurable and available to finance expenditures of the fiscal period). The City has calculated this amount based on the income tax collections and refunds made within 60 days after year-end that relate to the prior years.

In 1994, the residents of the City voted for an income tax in an effort to reduce the millage levied for property taxes. As a result, the millage levied for governmental services was reduced significantly down to 3.0000 mills.

10. Inventories

The cost of inventory items in governmental funds is recorded as an expenditure at the time of purchase. Inventories in the Enterprise Funds consist of operating materials and supplies, which are stated at cost on a first-in/first-out basis.

11. Library Penal Fines

The City receives penal fines as allocated by Ionia County for use in the Library Fund. The City generally receives their portion of County penal fines related to the prior fiscal year in August of the subsequent fiscal year. Because these funds are not readily available to finance expenditures of the current period, a receivable and corresponding deferred revenue has been recorded in the Library Fund for the amount of penal fines received in August 2004.

12. Accrued Vacation and Sick Leave

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee with more than one (1) year of service is paid for accumulated vacation days, with certain groups of employees only being able to accumulate up to the equivalent of twenty-one (21) days of vacation. Upon termination employees with more than six (6) months of service are paid for one-half of accumulated sick leave, not to exceed 480 hours.

For governmental funds, the cost of vested accumulated vacation and sick leave along with the related payroll taxes expected to be paid in the next twelve (12) months is recorded as a fund liability, and amounts expected to be paid after twelve (12) months are recorded in the government-wide financial statements. For proprietary funds, the cost is recorded as a fund liability when earned.

13. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

The Internal Service Fund (Central Garage) records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED14. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Structures and improvements	20 - 75 years
Machinery, furniture, and equipment	5 - 50 years
Vehicles	5 years
Infrastructure	20 - 30 years

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

17. Accounting Change

As of July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**17. Accounting Change - continued**

- Capital assets reported on the statement of net assets were not previously reported. The government-wide statement of activities reflects depreciation expense on the City's applicable capital assets.
- Long-term obligations reported on the statement of net assets include \$4,914,846, which was previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

18. Federal Programs

Federal programs are accounted for in the General, Capital Projects, and Enterprise Funds. The City was required to have a Single Audit under OMB Circular A-133 because expenditures of Federal award programs administered by the City exceeded the necessary threshold. The single audit reports are issued under separate cover.

NOTE B: POOLING OF CASH AND CASH EQUIVALENTS AND CASH OVERDRAFT

The City utilizes pooled cash accounts for approximately twenty funds. Cash overdrafts of individual funds as of June 30, 2004, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
Special Revenue Funds			
Major Streets	\$(70,715)	\$ 123	\$(70,592)
Local Streets	(27,414)	-	(27,414)
Library	(3,359)	438,443	435,084
Debt Service Fund			
Skyview/Gregmark	(1,160)	1,325	165
Capital Projects Funds			
Grant Projects	(264,027)	-	(264,027)
Environmental Bond Issue	(188,415)	-	(188,415)
Enterprise Funds			
Sewer	(122,631)	-	(122,631)
Water	(65,822)	-	(65,822)
COMPONENT UNIT			
Downtown Development Authority	(585,542)	-	(585,542)

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City deposits consist of a common checking account and various savings accounts, checking accounts, pooled investment accounts, and certificates of deposit maintained by individual funds and are reported as cash and cash equivalents and investments on the basic financial statements.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State of the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration (NCUA) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2004, the carrying amounts and bank balance for each type of account as reported in the cash, cash equivalents, and investments caption in the basic financial statements are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ (324,549)	\$ 414,229
Savings and money markets	229,197	229,593
Certificates of deposit	<u>245,691</u>	<u>245,691</u>
	<u>\$ 150,339</u>	<u>\$ 889,513</u>

The cash and cash equivalents reported in the basic financial statements include \$950 in imprest cash.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUEDDeposits - continued

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2004, the City accounts were insured by the FDIC and NCUA for \$340,298 and the amount of \$549,215 was uninsured and uncollateralized.

Pooled Investment Funds

As of June 30, 2004, the carrying amount and market values of the pooled investment funds were \$823,257. These funds are not categorized at a risk level because they are not evidenced by securities that exist in physical or book form.

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2004.

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 600,390	\$(583,796)	\$ 18,114	\$ 34,708
Cash and cash equivalents - restricted	822,834	-	-	822,834
Investment - restricted	<u>117,004</u>	<u>-</u>	<u>-</u>	<u>117,004</u>
	<u>\$ 1,540,228</u>	<u>\$(583,796)</u>	<u>\$ 18,114</u>	<u>\$ 974,546</u>

The amounts identified above include Enterprise Fund restricted cash and investments of \$822,834 and \$117,004, respectively, as of June 30, 2004, to be used to fund Water System and Sewer System improvements and bond and interest redemption.

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details primary government interfund receivables and payables at June 30, 2004:

Due to General fund from:	
Fiduciary funds	\$ 1,534
Due to Grant Projects fund from:	
Sewer fund	92,519
Water fund	<u>154,198</u>
	246,717
Due to Nonmajor Government funds from:	
Fiduciary fund	462
Due to Fiduciary funds from:	
Component Unit fund	47

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Due to Component Unit fund from:	
Fiduciary fund	\$ 1,108
Due to Dial-A-Ride fund from:	
Fiduciary fund	<u>198</u>
Total interfund receivable and payables	<u>\$ 250,066</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business-type funds and component units have been eliminated.

Transfers to General fund from:	
Nonmajor governmental fund	\$ 16,400
Transfers to Grant Projects fund from:	
Major street	365,940
Transfers to nonmajor governmental funds from:	
General fund	534,311
Major street	31,572
Nonmajor governmental funds	105,144
Sewer fund	34,887
Water fund	34,888
Internal service fund	<u>29,453</u>
	770,255
Transfers to internal service fund from:	
Nonmajor governmental funds	<u>30,413</u>
	<u>\$ 1,252,783</u>

The difference of \$644,348 is due to the Enterprise Funds' recording transfers out for purposes of funding capital projects as construction in progress or capital assets.

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

Primary Government

	Restated Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>
Governmental activities				
Capital Assets Not Being Depreciated				
Land	\$ 350,370	\$ -	\$ -	\$ 350,370
Construction in progress	<u>1,997,537</u>	<u>-</u>	<u>190,976</u>	<u>1,806,561</u>
Subtotal	2,347,907	-0-	190,976	2,156,931
Capital Assets Being Depreciated				
Land improvements	1,889,613	89,542	-	1,979,155
Buildings	1,293,008	66,266	-	1,359,274
Vehicles	2,800,910	537,889	4,335	3,334,464
Furniture and equipment	2,174,766	69,654	-	2,244,420
Collections	538,836	42,763	-	581,599
Infrastructure	<u>8,966,177</u>	<u>220,415</u>	<u>-</u>	<u>9,186,592</u>
Subtotal	17,663,310	1,026,529	4,335	18,685,504
Accumulated depreciation				
Land improvements	575,299	92,563	-	667,862
Buildings	234,268	51,620	-	285,888
Vehicles	1,741,343	238,680	4,335	1,975,688
Furniture and equipment	648,183	110,891	-	759,074
Collections	31,126	35,446	-	66,572
Infrastructure	<u>2,146,653</u>	<u>512,622</u>	<u>-</u>	<u>2,659,275</u>
Subtotal	<u>5,376,872</u>	<u>1,041,822</u>	<u>4,335</u>	<u>6,414,359</u>
Net Capital Assets Being Depreciated	<u>12,286,438</u>	<u>(15,293)</u>	<u>-0-</u>	<u>12,271,145</u>
Total Net Capital Assets	<u>\$ 14,634,345</u>	<u>\$ (15,293)</u>	<u>\$ 190,976</u>	<u>\$ 14,428,076</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 147,303
Public safety	207,725
Public works	512,622
Recreation and cultural	<u>174,172</u>
Total Depreciation Expense	<u>\$ 1,041,822</u>

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Restated Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>
Business-type activities				
Capital Assets Not Being Depreciated				
Construction in progress	\$ 35,425	\$ 644,348	\$ 21,207	\$ 658,566
Land	<u>303,385</u>	<u>-</u>	<u>-</u>	<u>303,385</u>
Subtotal	338,810	644,348	21,207	961,951
Capital Assets Being Depreciated				
Land improvements	8,565	-	-	8,565
Structures and improvements	18,338,507	379,779	-	18,718,286
Machinery, furniture, and equipment	2,720,927	380,081	-	3,101,008
Vehicles	<u>767,845</u>	<u>43,447</u>	<u>42,146</u>	<u>769,146</u>
Subtotal	21,835,844	803,307	42,146	22,597,005
Less Accumulated depreciation				
Land improvements	6,572	190	-	6,762
Structures and improvements	4,195,151	440,610	-	4,635,761
Machinery, furniture, and equipment	1,486,288	117,811	-	1,604,099
Vehicles	<u>426,334</u>	<u>128,863</u>	<u>42,146</u>	<u>513,051</u>
Subtotal	<u>6,114,345</u>	<u>687,474</u>	<u>42,146</u>	<u>6,759,673</u>
Net Capital Assets Being Depreciated	<u>15,721,499</u>	<u>115,833</u>	<u>-</u>	<u>15,837,332</u>
Total Net Capital Assets	<u>\$ 16,060,309</u>	<u>\$ 760,181</u>	<u>\$ 21,207</u>	<u>\$ 16,799,283</u>
Component Units				
Capital Assets Not Being Depreciated				
Land	<u>\$ 375,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,256</u>

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2004.

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Environmental Bonds	\$ 755,000	\$ -	\$ 30,000	\$ 725,000	\$ 35,000
Building Authority Bonds	255,000	-	45,000	210,000	50,000
Building Authority Bonds - 2001	950,000	-	25,000	925,000	25,000
General Obligation Tax Bonds - 2002	265,000	-	45,000	220,000	50,000
Transportation Bonds	800,000	-	50,000	750,000	50,000
Special Assessment Bonds	800,000	-	100,000	700,000	100,000
Rescue truck loan	113,609	-	113,609	-0-	-
Streetlight project loan	115,022	-	26,837	88,185	28,223
Fire equipment loan	98,724	-	98,724	-0-	-
Public safety vehicles loan	62,127	-	30,249	31,878	31,878
Capital leases	211,360	-	208,671	2,689	2,689
Equipment Note - 2004	-	842,136	98,700	743,436	73,815
Accumulated vacation and sick	489,004	9,470	-	498,474	124,619
	4,914,846	851,606	871,790	4,894,662	571,224
Water Fund					
1999 Water Supply Revenue					
Refunding Bonds	7,350,000	-	350,000	7,000,000	350,000
2001 Water and Sewer					
Improvement Bonds	2,307,500	-	32,500	2,275,000	65,000
2004 Water and Sewer					
Improvement Bonds	-	2,100,000	-	2,100,000	-
Accumulated vacation and sick	13,696	2,162	-	15,858	3,965
Sewer Fund					
2001 Water and Sewer					
Improvement Bonds	869,750	-	12,250	857,500	24,500
2004 Water and Sewer					
Improvement Bond	-	1,260,000	-	1,260,000	-
Accumulated vacation and sick	12,216	1,496	-	13,712	3,428
	10,553,162	3,363,658	394,750	13,522,070	446,893
Internal Service Fund					
Central Garage					
2000 Pickup loan	4,138	-	4,138	-0-	-
1999 Basin truck loan	92,305	-	24,612	67,693	26,057
2002 DPW truck loan	7,885	-	7,885	-0-	-
2003 Dump truck loan	41,627	-	13,315	28,312	13,887
2003 Street sweeper loan	121,075	-	17,998	103,077	18,840
2004 Dump truck loan	-	87,987	18,571	69,416	16,349
Accumulated vacation and sick	10,921	2,897	-	13,818	3,455
	277,951	90,884	86,519	282,316	78,588
TOTAL PRIMARY GOVERNMENT	15,745,959	4,306,148	1,353,059	18,699,048	1,096,705

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Amounts Due Within One Year
COMPONENT UNITS					
Downtown Development Authority					
1994 General Obligation Bonds	\$ 435,000	\$ -	\$ 210,000	\$ 225,000	\$ 225,000
1997 General Obligation Refunding Bonds	2,985,000	-	365,000	2,620,000	415,000
1998 General Obligation Refunding Bonds	3,635,000	-	55,000	3,580,000	55,000
1999 CDBG Loan Program	<u>1,757,110</u>	<u>43,095</u>	<u>-</u>	<u>1,800,205</u>	<u>142,494</u>
	8,812,110	43,095	630,000	8,225,205	837,494
Local Development Finance Authority					
SDS loan payable	<u>649,370</u>	<u>32,878</u>	<u>8,117</u>	<u>674,131</u>	<u>-</u>
TOTAL COMPONENT UNITS	<u>9,461,480</u>	<u>75,973</u>	<u>638,117</u>	<u>8,899,336</u>	<u>837,494</u>
TOTAL REPORTING ENTITY	<u>\$25,207,439</u>	<u>\$ 4,382,121</u>	<u>\$ 1,991,176</u>	<u>\$27,598,384</u>	<u>\$ 1,934,199</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

General Obligation Bonds

\$975,000 1990 Unlimited Tax General Obligation Environmental Bonds dated December 1, 1990, due in annual installments ranging from \$35,000 to \$85,000 through April 1, 2017, with interest at 6.75 percent, payable semi-annually. \$ 725,000

\$600,000 1992 Limited Tax Obligation Building Authority Bonds dated August 1, 1992, due in annual installments ranging from \$50,000 to \$55,000 through October 1, 2007, with interest ranging from 6.00 to 6.25 percent, payable semi-annually. 210,000

\$950,000 2001 Limited Tax Obligation Building Authority Bonds dated June 1, 2001, due in annual installments ranging from \$25,000 to \$100,000 through August 1, 2020, with interest ranging from 5.00 to 8.00 percent, payable semi-annually. 925,000

\$900,000 2001 Limited Tax Obligation Transportation Bonds dated May 1, 2001, due in annual installments ranging from \$50,000 to \$75,000 through August 1, 2015, with interest ranging from 3.70 to 5.00 percent, payable semi-annually. 750,000

\$265,000 2002 Limited Tax Obligation Bonds dated June 25, 2002, due in annual installments ranging from \$45,000 to \$60,000 through September 1, 2007, with interest ranging from 3.000 to 3.600 percent, payable semi-annually. 220,000

\$ 2,830,000

Special Assessment Limited Tax Bonds Payable

\$1,310,000 1995 Public Improvement Special Assessment Bonds dated October 1, 1995, due in annual installments of \$100,000 through October 1, 2010, with interest ranging from 4.90 to 5.75 percent, payable semi-annually. \$ 700,000

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

Water and Sewer Supply System Revenue Bonds

\$8,400,000 1999 Water Supply Water System Refunding Bonds dated August 19, 1999, due in annual installments ranging from \$350,000 to \$650,000 through July 1, 2018, with interest ranging from 4.50 to 6.50 percent, payable semi-annually. \$ 7,000,000

\$3,600,000 2002 Water and Sewer Improvement Bonds dated August 1, 2001, due in annual installments ranging from \$44,750 to \$268,500 through August 1, 2020, with interest ranging from 4 to 5 percent, payable semi-annually. Ionia Area Sewer Disposal System is responsible for 10.5 percent of the outstanding debt; the remaining portion is recorded in the Water and Sewer Funds at \$2,307,500 and \$869,750, respectively. 3,132,500

\$4,200,000 2004 Water and Sewer Improvement Bonds dated April 28, 2004, due in annual installments ranging from \$60,000 to \$240,000 through February 1, 2019, with interest ranging from 3.00 to 4.60 percent, payable semi-annually. Ionia Area Sewer Disposal System is responsible for 20 percent of the outstanding debt; the remaining portion is recorded in the Water and Sewer Funds as \$21,000,000 and \$1,260,000, respectively. 3,360,000

\$13,492,500

Municipal Purchase Contracts

The following loans are considered municipal purchase contracts, under Act No. 99 PA of 1933, as amended, and are not subject to State of Michigan, Department of Treasury approval:

\$250,000 Streetlight project Loan dated January 17, 1997, due in semi-annual installments ranging from \$13,943 to \$15,432 through January 15, 2007, with interest at 5.14 percent, payable semi-annually. \$ 88,185

\$170,000 Sewer Basin Truck Loan dated September 24, 1999, due in semi-annual installments of \$14,559 through July 30, 2006, with interest at 5.05 percent. 67,693

\$62,127 Department of Public Safety Vehicles Loan dated October 10, 2002, due in annual installment of \$33,371 through September 1, 2004, with interest at 4.68 percent. 31,878

\$41,627 Department of Public Works Dump Truck Loan dated April 28, 2003, due in annual installments ranging from \$14,982 to \$15,038 through May 28, 2006, with interest at 4.07 percent. 28,312

\$143,100 Department of Public Works Street Sweeper Loan dated September 4, 2002, due in annual installments ranging from \$23,662 to \$23,663 through December 1, 2008, with interest at 4.68 percent. 103,077

\$842,136 Equipment Loan for a purchase of a tanker truck and to pay off three (3) existing higher debt issues, the loan dated August 25, 2003, due in annual installments ranging from \$103,333 to \$357,518 through October 15, 2009, with interest at 3.9 percent. 743,436

\$87,987 Department of Public Works Dump Truck Loan dated August 5, 2003, due in annual installments ranging from \$19,105 to \$19,124 through September 30, 2007, with interest at 3.97 percent. 69,416

\$ 1,131,997

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: LONG-TERM DEBT - CONTINUEDCapital Leases

The City has entered into one (1) lease purchase agreement, under act 99 PA of 1933, as amended, to finance the acquisition of voter tabulation equipment. The liability for the voter tabulation equipment is recorded in the government-wide financial statements. The cost of the voter tabulation equipment amounted to \$22,950. This capital lease has been recorded at the present value of the future minimum lease payments as of the date of their inception. This lease qualifies as a capital lease for accounting purposes because substantially all of the benefits and risks inherent in the ownership of the property rest with the City.

Commitments under this lease agreement provide for the minimum annual payments as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 2,689	\$ 97

COMPONENT UNITS

General Obligation Bonds

\$5,000,000 1994 Limited Tax General Obligation Downtown Development Bonds dated December 21, 1994, due in annual installments ranging of \$225,000 through November 1, 2004, with interest at 6.20 percent, payable semi-annually. \$ 225,000

\$4,005,000 1997 Limited Tax General Obligation Downtown Development Authority Refunding Bonds dated May 15, 1997, due in annual installments ranging from \$415,000 to \$460,000 through May 1, 2010, with interest ranging from 5.40 to 5.90 percent, payable semi-annually. 2,620,000

\$3,835,000 1998 Limited Tax General Obligation Downtown Development Authority Refunding Bonds dated November 24, 1998, due in annual installments ranging from \$55,000 to \$425,000 through November 1, 2014, with interest ranging from 3.85 to 4.35 percent payable semi-annually. 3,580,000

\$ 6,425,000

Loans Payable

\$1,500,000 1999 CDBG Loan Program between the City and the State was made for the purpose of purchasing the Gencorp land. The principal amount accrues interest at 5 percent for a period of 14 years commencing April 1, 2000. The City will be required to make quarterly payments of principal and interest commencing July 1, 2004 until the debt is retired. \$ 1,800,205

The Ionia Area Sewage Disposal System, a joint venture of which the City has an approximate equity interest of 87%, to the Local Development Financing Authority Fund, made the following loan. The loan is accounted for essentially as an interfund loan within the City financial statement due to the substantial equity interest in the Sewage Disposal System. Therefore, the loan is not subject to State of Michigan, Department of Treasury approval.

\$520,000 Ionia Area Sewage Disposal System (SDS) loan due in annual principal and interest installments based on sales of Industrial Park land. The outstanding balance includes accrued interest along with the principal amounts. \$ 674,131

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

Accumulated Vacation and Sick

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave, and also receive an annual longevity payment. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$604,743 at June 30, 2004. Of this amount, \$92,451 and \$13,818 are recorded as liabilities within the Enterprise and Internal Service fund types, respectively, in accordance with criteria disclosed in Note A.

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the following bonds and loans are as follows:

Primary Government

<u>Year Ending June 30,</u>	<u>General Obligation and Special Assessment Bonds</u>		<u>Revenue Bonds</u>		<u>Installment Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 310,000	\$ 303,712	\$ 439,500	\$ 140,838	\$ 209,049	\$ 46,964
2006	315,000	311,625	439,500	481,173	185,132	37,455
2007	325,000	295,235	489,500	454,843	162,464	29,189
2008	390,000	276,984	534,250	429,718	122,968	23,132
2009	305,000	259,310	584,250	404,349	343,866	18,444
2010-2014	1,430,000	1,064,994	3,420,000	1,594,193	-	13,653
2015-2019	1,320,000	710,736	3,688,500	699,258	-	-
2020-2024	1,055,000	441,239	537,000	25,240	-	-
2025-2029	1,200,000	192,720	-	-	-	-
2030	240,000	5,520	-	-	-	-
	<u>\$ 6,890,000</u>	<u>\$ 3,862,075</u>	<u>\$ 10,132,500</u>	<u>\$ 4,229,612</u>	<u>\$ 1,131,997</u>	<u>\$ 168,870</u>

Component Unit

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>CDBG Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 695,000	\$ 517,493	\$ 142,494	\$ 87,366
2006	710,000	265,851	149,754	80,106
2007	715,000	231,399	157,383	72,477
2008	775,000	196,193	165,401	64,459
2009	785,000	157,092	173,826	56,034
2010-2014	2,320,000	323,877	1,011,347	137,953
2015	425,000	9,244	-	-
	<u>\$ 6,425,000</u>	<u>\$ 1,701,149</u>	<u>\$ 1,800,205</u>	<u>\$ 498,395</u>

Because the SDS loan to the Local Development Finance Authority is due in installments based on sales of Industrial Park land, it was not possible to project a payment schedule for this loan. As a result, it is not included in the schedule above. The City believes that the SDS loan is eligible for repayment with tax increment financing revenues.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

Advance Refunding - Prior

On May 15, 1997, the City defeased the portion of the 1990 G.O. Downtown Development Authority Bonds which were due and payable May 1, 2001 through May 1, 2010 and a portion of the 1991 G.O. Downtown Development Authority Bonds, which are due and payable May 1, 2001, through May 1, 2010. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest obligations. The City issued General Obligation 1998 Downtown Development Authority Refunding Bonds in the amount of \$4,005,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2004, bonds due and payable May 1, 2005 through May 1, 2010 for the 1990 and 1991 G.O. Downtown Development Authority Bonds in the amounts of \$295,000 and \$2,250,000, respectively, are considered defeased.

On November 24, 1998, the City defeased a portion of the 1994 G.O. Downtown Development Authority Bonds, which are due and payable November 1, 2005 through November 1, 2014. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government securities sufficient to meet the applicable principal and interest obligations. The City issued General Obligation Downtown Development Authority Refunding bonds in the amount of \$3,835,000 to provide resources to fund the escrow amounts and pay the costs of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2004, bonds due and payable November 1, 2005 through November 1, 2014 for the 1994 G.O. Downtown Development Authority bonds in the amount of \$3,235,000 are considered defeased.

NOTE H: RETIREMENT PLAN

Plan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Council and by negotiation with the City's collective bargaining units. The plan requires no contribution from the employees.

Annual Pension Cost

For year ended June 30, 2004 the City's annual pension cost of \$558,262 for the plan was equal to the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 4.16% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years.

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE H: RETIREMENT PLAN - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$ 3,824,124	\$ 4,083,431	\$ 4,585,285
Actuarial accrued liability (AAL) (entry age)	8,556,396	9,019,296	10,135,174
Unfunded AAL	4,732,272	4,935,865	5,549,889
Funded ratio	45 %	46 %	45 %
Covered payroll	2,643,566	2,793,784	2,561,484
UAAL as a percentage of covered payroll	179 %	177 %	217 %

	Year Ended June 30,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual pension cost	\$ 416,402	\$ 462,206	\$ 558,262
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the MERS actuarial reports as of December 31, 2001, 2002, and 2003.

NOTE I: DEFERRED COMPENSATION PLAN

The City of Ionia offers its employees a choice of one (1) of three (3) deferred compensation plans. The plans sponsored by the ICMA Retirement Corporation, Nationwide Retirement Solutions, and Prudential Retirement Services were created in accordance with IRC Section #457. The plans, available to all City employees, permit them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

Legislative change has been made to 457 plans which mandates that by no later than January 1, 1998, all existing 457 plan assets must be held in a custodial account, trust, or annuity contract for the benefit of participants and their beneficiaries.

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employers creditors nor can they be used by the public employer for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. The ICMA Retirement Corporation and Public Employees Benefit Services Corporation have elected to implement compliance with the new requirement effective January 1, 1998. The plans assets previously maintained in an Agency Fund are no longer reported by the City because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

NOTE J: RISK MANAGEMENT

The City carries commercial insurance for the risk of loss due to workers' compensation claims.

The City also participates in a State pool, the Michigan Municipal Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE K: FUND EQUITY RESERVES

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balances as of June 30, 2004:

Fund Balances

Special Revenue Funds	
Sick Pay Reserve	
Reserved for sick pay expenditures	\$ 336
Debt Service Funds	
Skyview/Gregmark	
Reserved for debt service	165
Ionia Building Authority	
Reserved for debt service	5,605
Sidewalk Bonds	
Reserved for debt service	<u>615</u>
	6,385
Capital Project Funds	
Grant Projects	
Reserved for grant activity	<u>1,354</u>
	<u>\$ 8,075</u>

NOTE L: CONTRACT COMMITMENTS

The City has entered into various street project contracts related to infrastructure improvements that were not completed at June 30, 2004. The total contractual commitments outstanding at June 30, 2004 totaled \$1,513,704. The City will have sufficient Federal, State, and City contributions available to cover these commitments.

NOTE M: CONTINGENT LIABILITIES

The City is a responsible party with respect to clean-up costs at the Cleveland Street Dump Site. The City is party to a Federal Consent Decree entered with the District Court during the fiscal year ended June 30, 2002. The terms of the Consent Decree limit the City's liability to a share of the clean-up costs associated with existing contamination as of the date of the decree. The City has received reimbursement for one half of the costs related to clean up of this site through the Clean Michigan Initiative (CMI) to date, however a reasonable estimate of the City's remaining potential liability cannot be determined at this time.

There is other legal action pending against the City. Due to the inconclusive nature of the action, it is not possible for Corporation Counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. This potential liability, if any, is considered by City Management and legal counsel to be immaterial or the potential liability would be covered by insurance.

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE N: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the City's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the total expenditure level for the General and Special Revenue Funds.

During the year ended June 30, 2004, the City incurred expenditures in the Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Special Revenue Fund			
Major street	\$ 733,409	\$ 876,077	\$ 142,668

NOTE O: FUND DEFICITS

The following fund had fund equity deficit at June 30, 2004:

<u>COMPONENT UNIT FUNDS</u>	<u>Deficit</u>
Downtown Development Authority	\$ 584,893

The City filed a deficit elimination plan with the State Department of Treasury for the Downtown Development Authority Fund. The State has approved that plan and the City is in compliance with the plan as of June 30, 2004.

NOTE P: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning fund balances or net assets. The effect on operations and other affected balances for the current and prior year are as follows:

	<u>2004</u>	<u>June 30,</u> <u>2003</u>	<u>Description</u>
CAPITAL PROJECTS			
Grant projects			
Due from State	\$ -	\$(131,164)	Correct overstated
Revenues over (under) expenditures	-	(131,164)	due from state
Fund balance - beginning	(131,164)	-	
Sidewalk Program			
Accounts receivable	-	(12,132)	Correct overstated
Revenues over (under) expenditures	-	(12,132)	accounts receivable
Fund balance - beginning	(12,132)	-	

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE P: PRIOR PERIOD ADJUSTMENTS - CONTINUED

	<u>2004</u>	<u>June 30,</u> <u>2003</u>	<u>Description</u>
INTERNAL SERVICE			
Central Garage			
Accumulated depreciation	\$ -	\$(6,956)	Correct overstated
Revenues over (under) expenses	-	6,956	accumulated depreciation
Net assets - beginning	6,956	-	
Accrued interest payable	-	6,465	Correct understated
Revenues over (under) expenses	-	(6,465)	accrued interest payable
Net assets - beginning	(6,465)	-	
ENTERPRISE			
Sewer			
Accrued interest payable	-	17,951	Correct understated
Revenues over (under) expenses	-	(17,951)	accrued interest payable
Net assets - beginning	(17,951)	-	
Water			
Accrued interest payable	-	47,626	Correct understated
Revenues over (under) expenses	-	(47,626)	accrued interest payable
Net assets - beginning	(47,626)	-	

REQUIRED SUPPLEMENTARY INFORMATION

City of Ionia

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES
AND OTHER FINANCING SOURCES

Year Ended June 30, 2004

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 398,611	\$ 469,232	\$ 469,817	\$ 585
Income taxes	1,567,051	1,596,361	1,596,358	(3)
Payments in lieu of taxes	32,129	(13,527)	(13,524)	3
Penalties and interest	17,953	22,764	22,760	(4)
Total taxes	2,015,744	2,074,830	2,075,411	581
Licenses and permits				
City licenses and permits	14,274	9,419	13,879	4,460
Inspection fees	500	500	685	185
Total licenses and permits	14,774	9,919	14,564	4,645
Intergovernmental				
State				
Sales tax	945,575	993,447	993,444	(3)
Liquor tax	4,223	4,086	4,100	14
Federal				
Homeland security grant	-	-	9,461	9,461
CMET reimbursement	29,734	34,581	33,990	(591)
Total intergovernmental	979,532	1,032,114	1,040,995	8,881
Charges for services				
Fire protection	245,500	208,541	134,116	(74,425)
Trash pick up and recycling charges	199,500	185,030	185,627	597
Trash bag charges	-	6,150	6,248	98
Administration charges	316,720	583,605	583,601	(4)
Tax collection fees	45,778	45,701	45,700	(1)
Total charges for services	807,498	1,029,027	955,292	(73,735)
Fines and forfeits				
Parking	4,120	3,445	3,830	385
District court	36,941	32,883	34,470	1,587
Total fines and forfeits	41,061	36,328	38,300	1,972
Interest and rents				
Interest	12,360	2,000	2,813	813
Rents	84,521	76,276	79,590	3,314
Total interest and rents	96,881	78,276	82,403	4,127

City of Ionia

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES
AND OTHER FINANCING SOURCES - CONTINUED

Year Ended June 30, 2004

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES - CONTINUED				
Other				
Special assessments	\$ 9,345	\$ 5,664	\$ 13,924	\$ 8,260
Other	84,950	94,374	103,848	9,474
Other - public safety	9,455	7,410	7,402	(8)
Sale of capital assets	6,309	500	4,561	4,061
Total other	110,059	107,948	129,735	21,787
TOTAL REVENUES	4,065,549	4,368,442	4,336,700	(31,742)
OTHER FINANCING SOURCES				
Proceeds from notes	-	842,315	842,136	(179)
Operating transfers in	25,000	16,400	16,400	-0-
TOTAL OTHER FINANCING SOURCES	25,000	858,715	858,536	(179)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 4,090,549</u>	<u>\$ 5,227,157</u>	<u>\$ 5,195,236</u>	<u>\$ (31,921)</u>

City of Ionia

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND OTHER FINANCING USES

Year Ended June 30, 2004

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
General government				
Mayor and council	\$ 26,640	\$ 22,875	\$ 14,979	\$ 7,896
City manager	91,918	91,484	91,454	30
Elections	9,299	4,105	4,095	10
Accounting	145,209	141,374	141,359	15
Independent audit	8,000	5,830	5,830	-0-
Income tax administration	100,793	99,149	99,112	37
Front office	34,399	64,125	64,117	8
City legal fees	33,526	30,292	30,284	8
Assessor	37,904	36,744	36,733	11
Grant activity	5,000	9,056	9,052	4
Board of review	1,105	550	350	200
Data processing	68,063	59,916	59,900	16
Clerk	11,675	20,003	19,990	13
Buildings and grounds	50,561	40,100	40,055	45
City property improvements	11,608	8,286	8,254	32
Sanitation services	199,500	189,015	189,011	4
Other offices	52,669	42,500	42,470	30
Fringe benefits	923,906	1,207,401	902,670	304,731
Other	31,200	27,911	28,113	(202)
Total general government	1,842,975	2,100,716	1,787,828	312,888
Public safety				
Building inspection	48,854	52,958	52,949	9
Public safety department	1,354,072	1,759,442	1,742,597	16,845
Total public safety	1,402,926	1,812,400	1,795,546	16,854
Public works				
Street lights	63,996	55,252	55,244	8
Health and welfare				
Ambulance	38,233	51,166	50,827	339
Community and economic development				
Planning and zoning	10,100	11,264	11,254	10
Recreation and cultural				
Festivals and events	68,126	59,756	59,746	10
Debt service				
Principal	172,936	576,793	576,793	-0-
Interest	9,102	25,420	25,420	-0-
Total debt service	182,038	602,213	602,213	-0-
TOTAL EXPENDITURES	3,608,394	4,692,767	4,362,658	330,109

City of Ionia

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES - CONTINUED

Year Ended June 30, 2004

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING USES				
Operating transfers out				
Local Street Fund	\$ 99,575	\$ 99,575	\$ 99,575	\$ -0-
Recreation Fund	219,776	219,776	219,776	-0-
Building Authority Fund	109,424	109,424	109,347	77
Sick Pay Reserve Fund	-	27,431	27,431	-0-
Sidewalk Program Fund	53,384	53,384	53,384	-0-
Dunsmore Lake Fund	-	24,800	24,798	2
TOTAL OTHER FINANCING USES	482,159	534,390	534,311	79
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,090,553</u>	<u>\$ 5,227,157</u>	<u>\$ 4,896,969</u>	<u>\$ 330,188</u>

City of Ionia

Major Special Revenue Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES,
EXPENDITURES AND OTHER FINANCING USES

Year Ended June 30, 2004

Major Street

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 380,280	\$ 410,057	\$ 438,289	\$ 28,232
State grants	-	59,112	59,112	-0-
Local	95,000	144,411	144,441	30
Interest	1,061	1,000	1,582	582
TOTAL REVENUES	476,341	614,580	643,424	28,844
EXPENDITURES				
Public works				
Highways and streets				
Routine maintenance	3,090	2,055	2,050	5
Tree trimming	48,916	49,358	68,577	(19,219)
Stump removal	3,646	3,695	3,691	4
Surface/shoulder work	13,708	29,895	29,887	8
Storm sewers	23,267	21,722	21,715	7
Street sweeping	11,471	2,895	2,889	6
Street painting	515	600	598	2
Leaf pickup	20,856	21,170	21,161	9
Brush pickup	30,341	35,466	35,456	10
Guardrails and posts	103	95	94	1
Traffic service	20,006	18,795	18,785	10
Winter maintenance	28,524	32,730	32,717	13
Central garage contract - DDA	109,987	112,314	112,297	17
Administration	107,176	94,957	94,953	4
Total highways and streets	421,606	425,747	444,870	(19,123)
Debt service				
Principal	20,000	20,000	20,000	-0-
Interest and fees	14,663	13,697	13,695	2
Total debt service	34,663	33,697	33,695	2
TOTAL EXPENDITURES	456,269	459,444	478,565	(19,121)
EXCESS OF REVENUES OVER EXPENDITURES	20,072	155,136	164,859	9,723

City of Ionia

Major Special Revenue Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES,
EXPENDITURES AND OTHER FINANCING USES - CONTINUED

Year Ended June 30, 2004

Major Street

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING USES				
Operating transfers out	\$ (20,072)	\$ (273,965)	\$ (397,512)	\$ (123,547)
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(118,829)	(232,653)	(113,824)
Fund balance, beginning of year	233,351	233,351	233,351	-0-
Fund balance, end of year	\$ 233,351	\$ 114,522	\$ 698	\$ (113,824)

City of Ionia

General Fund

SCHEDULE OF REVENUES AND EXPENDITURES - BUILDING INSPECTION

Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Licenses and permits		
Permits	\$ 13,879	\$ 21,817
Inspection fees	<u>685</u>	<u>665</u>
TOTAL REVENUES	14,564	22,482
Salaries and wages	44,321	43,211
Contractual services	2,118	10,182
Office supplies	890	403
Publishing	105	186
Transportation and training	<u>5,515</u>	<u>2,879</u>
TOTAL EXPENDITURES	<u>52,949</u>	<u>56,861</u>
EXCESS OF REVENUES		
(UNDER) EXPENDITURES	<u>\$ (38,385)</u>	<u>\$ (34,379)</u>

OTHER SUPPLEMENTARY INFORMATION

City of Ionia

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2004

	Special		
	Local Street	Library	Recreation
ASSETS			
Cash and cash equivalents	\$ (27,414)	\$ 435,084	\$ 30,241
Accounts receivable	1,130	-	-
Taxes receivable	-	1,365	-
Special assessment receivable	-	-	-
Due from other funds	-	22	-
Due from other governmental units			
State	28,073	-	-
Local	-	155,379	-
TOTAL ASSETS	<u>\$ 1,789</u>	<u>\$ 591,850</u>	<u>\$ 30,241</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 300	\$ 8,605	\$ 7,824
Accrued wages	1,088	3,583	2,801
Other accrued liabilities	83	274	214
Deferred revenue	-	428,779	-
TOTAL LIABILITIES	1,471	441,241	10,839
FUND BALANCES			
Reserved for			
Sick pay expenditures	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	318	150,609	19,402
Capital project funds	-	-	-
TOTAL FUND BALANCES	<u>318</u>	<u>150,609</u>	<u>19,402</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,789</u>	<u>\$ 591,850</u>	<u>\$ 30,241</u>

Revenue		Debt Service	
Sick Pay Reserve	Dunsmore Lake	Skyview/ Gregmark	Building Authority
\$ 336	\$ -	\$ 165	\$ 5,605
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 336</u>	<u>\$ -0-</u>	<u>\$ 165</u>	<u>\$ 5,605</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-0-	-0-	-0-	-0-
336	-	-	-
-	-	165	5,605
-	-	-	-
-	-	-	-
<u>336</u>	<u>-0-</u>	<u>165</u>	<u>5,605</u>
<u>\$ 336</u>	<u>\$ -0-</u>	<u>\$ 165</u>	<u>\$ 5,605</u>

City of Ionia

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2004

	Debt Service	Capital	
	2002 G.O. Bonds	Sidewalk Program	Building Authority
ASSETS			
Cash and cash equivalents	\$ 615	\$ 48,563	\$ 70,681
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Special assessment receivable	-	9,805	-
Due from other funds	-	-	-
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	<u>\$ 615</u>	<u>\$ 58,368</u>	<u>\$ 70,681</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued wages	-	-	-
Other accrued liabilities	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for			
Sick pay expenditures	-	-	-
Debt service	615	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	-	-	-
Capital project funds	-	58,368	70,681
TOTAL FUND BALANCES	<u>615</u>	<u>58,368</u>	<u>70,681</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 615</u>	<u>\$ 58,368</u>	<u>\$ 70,681</u>

Projects Environmental Bond Issue	Total Nonmajor Governmental Funds
\$ (188,415)	\$ 375,461
-	1,130
12,311	13,676
-	9,805
440	462
223,511	251,584
-	155,379
<u>\$ 47,847</u>	<u>\$ 807,497</u>
\$ 22,211	\$ 38,940
-	7,472
-	571
12,311	441,090
34,522	488,073
-	336
-	6,385
-	170,329
13,325	142,374
13,325	319,424
<u>\$ 47,847</u>	<u>\$ 807,497</u>

City of Ionia

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2004

	Special		
	Local Street	Library	Recreation
REVENUES			
Taxes	\$ -	\$ 258,470	\$ -
Intergovernmental	173,053	19,512	-
Charges for services	5,410	-	58,994
Fines and forfeits	-	160,965	-
Interest and rents	-	6,390	26,206
Other	94	13,939	24,591
TOTAL REVENUES	178,557	459,276	109,791
EXPENDITURES			
General government	-	-	-
Public works	258,918	-	-
Recreation and cultural	-	403,843	421,006
Debt service	50,543	-	-
Capital outlay	-	59,001	-
TOTAL EXPENDITURES	309,461	462,844	421,006
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(130,904)	(3,568)	(311,215)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	131,147	-	324,920
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	131,147	-0-	324,920
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	243	(3,568)	13,705
Fund balances (deficits), beginning of year	75	154,177	5,697
Prior period adjustment	-	-	-
Fund balances, end of year	<u>\$ 318</u>	<u>\$ 150,609</u>	<u>\$ 19,402</u>

Revenue		Debt Service	
Sick Pay Reserve	Dunsmore Lake	Skyview/ Gregmark	Building Authority
\$ -	\$ -	\$ -	\$ -
-	-	69,770	-
-	-	-	-
-	-	-	-
2	-	-	139
-	-	-	-
2	-0-	69,770	139
27,431	-	-	-
-	-	-	-
-	-	-	-
-	-	139,550	138,800
-	-	-	-
27,431	-0-	139,550	138,800
(27,429)	-	(69,780)	(138,661)
27,431	24,798	69,775	138,800
-	-	-	-
27,431	24,798	69,775	138,800
2	24,798	(5)	139
334	(24,798)	170	5,466
-	-	-	-
<u>\$ 336</u>	<u>\$ -0-</u>	<u>\$ 165</u>	<u>\$ 5,605</u>

City of Ionia

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - CONTINUED

Year Ended June 30, 2004

	Debt Service	Capital	
	2002 G.O. Bonds	Sidewalk Program	Building Authority
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	4	741	419
Other	-	-	-
	<u>4</u>	<u>741</u>	<u>419</u>
TOTAL REVENUES	4	741	419
EXPENDITURES			
General government	-	-	-
Public works	-	-	-
Recreation and cultural	-	-	-
Debt service	53,384	-	-
Capital outlay	-	29,439	-
	<u>53,384</u>	<u>29,439</u>	<u>-0-</u>
TOTAL EXPENDITURES	53,384	29,439	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(53,380)	(28,698)	419
OTHER FINANCING SOURCES (USES)			
Operating transfers in	53,384	-	-
Operating transfers out	-	(13,365)	(138,592)
	<u>53,384</u>	<u>(13,365)</u>	<u>(138,592)</u>
TOTAL OTHER FINANCING SOURCES (USES)	53,384	(13,365)	(138,592)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	4	(42,063)	(138,173)
Fund balances (deficits), beginning of year	611	112,563	208,854
Prior period adjustment	-	(12,132)	-
	<u>-</u>	<u>(12,132)</u>	<u>-</u>
Fund balances, end of year	<u>\$ 615</u>	<u>\$ 58,368</u>	<u>\$ 70,681</u>

Projects Environmental Bond Issue	Total Nonmajor Governmental Funds
\$ 186,258	\$ 444,728
85,477	347,812
-	64,404
-	160,965
-	33,901
-	38,624
271,735	1,090,434
-	27,431
-	258,918
-	824,849
89,514	471,791
184,217	272,657
273,731	1,855,646
(1,996)	(765,212)
-	770,255
-	(151,957)
-0-	618,298
(1,996)	(146,914)
15,321	478,470
-	(12,132)
<u>\$ 13,325</u>	<u>\$ 319,424</u>

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2004

	<u>Local Street</u>			
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 140,061	\$ 162,400	\$ 162,699	\$ 299
Local	-	10,354	10,354	-0-
Charges for services	-	5,410	5,410	-0-
Miscellaneous	2,507	96	94	(2)
TOTAL REVENUES	142,568	178,260	178,557	297
EXPENDITURES				
Public works				
Highways and streets				
Routine maintenance	3,605	1,530	1,675	(145)
Tree trimming	22,544	28,374	28,365	9
Stump removal	4,327	4,150	4,144	6
Surface/shoulder work	12,395	22,360	22,348	12
Storm sewers	22,089	29,175	29,171	4
Street sweeping	3,810	2,601	2,596	5
Street painting	227	182	177	5
Leaf pickup	20,599	23,180	23,166	14
Brush pickup	22,558	33,158	33,148	10
Guardrails and posts	103	95	94	1
Yard waste collection	-	6,155	6,149	6
Traffic service	7,323	12,334	12,325	9
Winter maintenance	17,510	31,300	31,292	8
Administration	107,703	64,274	64,268	6
Total highway and streets	244,793	258,868	258,918	(50)
Debt service				
Principal	-	30,000	30,000	-0-
Interest and fees	-	20,543	20,543	-0-
Total debt service	-0-	50,543	50,543	-0-
TOTAL EXPENDITURES	244,793	309,411	309,461	(50)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(102,225)	(131,151)	(130,904)	247

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2004

	<u>Local Street</u>			
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES				
Operating transfers in	<u>\$ 119,647</u>	<u>\$ 131,151</u>	<u>\$ 131,147</u>	<u>\$ (4)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	17,422	-0-	243	243
Fund balance, beginning of year	<u>75</u>	<u>75</u>	<u>75</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 17,497</u></u>	<u><u>\$ 75</u></u>	<u><u>\$ 318</u></u>	<u><u>\$ 243</u></u>

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2004

	<u>Library</u>			
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 240,000	\$ 258,475	\$ 258,470	\$ (5)
Intergovernmental				
State	16,270	19,516	19,512	(4)
Fines and forfeits	132,000	160,969	160,965	(4)
Interest	15,000	7,330	6,390	(940)
Other				
Donations	-	9,131	9,128	(3)
Other	44,018	40,125	4,811	(35,314)
TOTAL REVENUES	447,288	495,546	459,276	(36,270)
EXPENDITURES				
Recreation and cultural	372,088	403,881	403,843	38
Capital outlay	75,200	87,365	59,001	28,364
TOTAL EXPENDITURES	447,288	491,246	462,844	28,402
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	4,300	(3,568)	(7,868)
Fund balance, beginning of year	154,177	154,177	154,177	-0-
Fund balance, end of year	\$ 154,177	\$ 158,477	\$ 150,609	\$ (7,868)

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2004

	<u>Recreation</u>			
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,125	\$ -	\$ -	\$ -0-
Charges for services				
Ticket sales	20,000	8,190	8,186	(4)
Activities	43,370	34,697	34,686	(11)
Special events	16,138	16,125	16,122	(3)
Rent	26,300	26,206	26,206	-0-
Other				
Sale of property	-	2,759	2,759	-0-
Donations	10,000	20,656	20,656	-0-
Other	-	1,179	1,176	(3)
TOTAL REVENUES	116,933	109,812	109,791	(21)
EXPENDITURES				
Recreation and cultural				
Administration	183,798	148,219	148,165	54
Special events	22,722	23,248	23,226	22
Adult activities	5,740	5,512	5,500	12
Youth activities	19,515	19,451	19,422	29
Senior activities	1,434	430	429	1
Armory	72,460	73,814	73,745	69
Park maintenance	139,350	150,695	150,519	176
TOTAL EXPENDITURES	445,019	421,369	421,006	363
EXCESS OF REVENUES (UNDER) EXPENDITURES	(328,086)	(311,557)	(311,215)	342
OTHER FINANCING SOURCES				
Operating transfers in	318,236	311,557	324,920	13,363
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(9,850)	-0-	13,705	13,705
Fund balance, beginning of year	5,697	5,697	5,697	-
Fund balance (deficit), end of year	<u>\$ (4,153)</u>	<u>\$ 5,697</u>	<u>\$ 19,402</u>	<u>\$ 13,705</u>

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2004

	<u>Sick Pay Reserve</u>			
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest	\$ 3,800	\$ 54	\$ 2	\$ (52)
EXPENDITURES				
General government	3,800	27,485	27,431	54
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	(27,431)	(27,429)	2
OTHER FINANCING SOURCES				
Operating transfers in	-	27,431	27,431	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-	-0-	2	2
Fund balance, beginning of year	334	334	334	-0-
Fund balance, end of year	<u>\$ 334</u>	<u>\$ 334</u>	<u>\$ 336</u>	<u>\$ 2</u>

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2004

	<u>Dunsmore Lake</u>			
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Other	\$ 50,000	\$ 25,200	\$ -	\$ (25,200)
EXPENDITURES	-	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	50,000	25,200	-0-	(25,200)
OTHER FINANCING SOURCES				
Operating transfers in	-	24,800	24,798	(2)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	50,000	50,000	24,798	(25,202)
Fund balance (deficit), beginning of year	(24,798)	(24,798)	(24,798)	-0-
Fund balance, end of year	<u>\$ 25,202</u>	<u>\$ 25,202</u>	<u>\$ -0-</u>	<u>\$ (25,202)</u>

City of Ionia
Major Capital Projects Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended June 30, 2004

	<u>Grant Projects</u>
REVENUES	
Intergovernmental	
Local	\$ 149,776
EXPENDITURES	
Capital outlay	
Cleveland resurfacing	
Contractual service	212,605
Downtown gateway project	
Contractual service	162,095
Construction	<u>41,113</u>
Total Downtown gateway project	203,208
Main street resurfacing	
Contractual services	127,194
Wellhead protection grant	
Office supplies	1,438
Contractual services	<u>10,913</u>
Total Wellhead protection grant	12,351
Rice and Yoemans street	
Contractual services	108,068
Jackson street water main	
Contractual services	26,126
Construction	<u>120,625</u>
Total Habitat street	146,751
Street Improvements	
Contractual services	12,393
Construction	<u>180,373</u>
Total Street improvements	192,766
M-21 water main	
Contractual services	14,537
West Washington street	
Contractual services	<u>11,109</u>
TOTAL EXPENDITURES	<u>1,028,589</u>
EXCESS REVENUES (UNDER) EXPENDITURES	(878,813)

City of Ionia

Major Capital Projects Fund

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - CONTINUED

Year Ended June 30, 2004

	Grant Projects
OTHER FINANCING SOURCES	
Operating transfers in	<u>\$ 1,010,288</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	131,475
Fund balance, beginning of year	1,043
Prior period adjustments	<u>(131,164)</u>
Fund balance, end of year	<u><u>\$ 1,354</u></u>

City of Ionia

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2004

	Special Revenue
ASSETS	
Cash and cash equivalents	\$ (585,542)
Taxes receivable	9,843
Due from fiduciary fund	<u>1,108</u>
TOTAL ASSETS	<u>\$ (574,591)</u>
LIABILITIES AND FUND DEFICIT	
LIABILITIES	
Accounts payable	\$ 239
Deferred revenue	<u>10,043</u>
TOTAL LIABILITIES	10,282
FUND DEFICIT	
Unreserved - undesignated	<u>(584,873)</u>
TOTAL LIABILITIES AND FUND DEFICIT	<u>\$ (574,591)</u>

City of Ionia

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2004

Total fund balance - governmental fund \$ (584,873)

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is 375,256

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue 9,843

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Accrued interest payable	\$ 110,091	
Loan payable	<u>8,225,205</u>	
		<u>(8,335,296)</u>

Net assets of governmental activities \$ (8,535,070)

City of Ionia

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2004

	Special Revenue
REVENUES	
Taxes	\$ 846,965
Interest	195
	<hr/>
TOTAL REVENUES	847,160
EXPENDITURES	
Community and economic development	
Administrative	56,405
Downtown maintenance	101,875
DDA development	7,202
Debt service	
Principal	630,000
Interest	337,748
	<hr/>
TOTAL EXPENDITURES	1,133,230
	<hr/>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(286,070)
Fund deficit, beginning of year	<hr/> (298,803)
Fund deficit, end of year	<hr/> <hr/> \$ (584,873)

City of Ionia

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2004

Net change in fund balance - governmental fund	\$ (286,070)
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Amounts reported for governmental activities in the statement of activities are different because:

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal and capital lease retirement	630,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	<u>(16,481)</u>
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Change in net assets of governmental activities	<u><u>\$ 327,449</u></u>
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City of Ionia

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2004

	Special Revenue
ASSETS	
Cash and cash equivalents	\$ 1,746
Taxes receivable	<u>4,381</u>
TOTAL ASSETS	<u>\$ 6,127</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to fiduciary fund	\$ 47
Deferred revenue	<u>4,381</u>
TOTAL LIABILITIES	4,428
FUND BALANCE	
Unreserved - undesignated	<u>1,699</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,127</u>

City of Ionia

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET ASSETS - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2004

Total fund balance - governmental fund	\$ 1,699
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue	4,381
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Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Loan payable	<u>(674,131)</u>
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Net assets of governmental activities	<u>\$ (668,051)</u>
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City of Ionia

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2004

	Special Revenue
REVENUES	
Taxes	\$ 11,377
Interest	59
	<hr/>
TOTAL REVENUES	11,436
EXPENDITURES	
Community and economic development	
Administrative	2,668
Debt service	
Interest and fiscal charges	8,117
	<hr/>
TOTAL EXPENDITURES	10,785
	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	651
Fund balance, beginning of year	<hr/> 1,048
Fund balance, end of year	<hr/> <hr/> \$ 1,699

City of Ionia

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES -
LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2004

Net change in fund balance - governmental fund	\$	651
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Amounts reported for governmental activities in the statement of activities are different because:

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal and capital lease retirement	<u>8,117</u>
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Change in net assets of governmental activities	\$	<u><u>8,768</u></u>
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City of Ionia

SCHEDULE OF DEBT OUTSTANDING

June 30, 2004

1990 Environmental Bonds

Purpose: To defray the costs of protecting and restoring the environment by cleaning up contaminated or toxic waste sites in the City of Ionia and paying for facilities and services incidental thereto.

Issue: \$ 975,000

Issue date: December 1, 1990

Due Date	Interest Rate	Bonds Maturing	Interest Due	Total Amount Due
4/1/2005	6.75 %	\$ 35,000	\$ 48,938	\$ 83,938
4/1/2006	6.75	35,000	46,576	81,576
4/1/2007	6.75	40,000	44,212	84,212
4/1/2008	6.75	40,000	41,512	81,512
4/1/2009	6.75	45,000	38,812	83,812
4/1/2010	6.75	50,000	35,776	85,776
4/1/2011	6.75	55,000	32,400	87,400
4/1/2012	6.75	60,000	28,688	88,688
4/1/2013	6.75	60,000	24,638	84,638
4/1/2014	6.75	65,000	20,588	85,588
4/1/2015	6.75	75,000	16,200	91,200
4/1/2016	6.75	80,000	11,138	91,138
4/1/2017	6.75	85,000	5,738	90,738
		<u>\$ 725,000</u>	<u>\$ 395,216</u>	<u>\$ 1,120,216</u>

2004 Equipment Loan

Purpose: To purchase a tanker truck and payoff three (3) existing higher interest rate debt issues.

Issue: \$ 842,136

Issue date: August 25, 2003

Due Date	Interest Rate	Bonds Maturing	Interest Due	Total Amount Due
10/15/2004	3.90 %	\$ 73,815	\$ 29,518	\$ 103,333
10/15/2005	3.90	76,746	26,587	103,333
10/15/2006	3.90	79,793	23,540	103,333
10/15/2007	3.90	82,961	20,372	103,333
10/15/2008	3.90	86,255	17,078	103,333
10/15/2009	3.90	343,866	13,653	357,519
		<u>\$ 743,436</u>	<u>\$ 130,748</u>	<u>\$ 874,184</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2004

1992 Ionia Building Authority Bonds

Purpose: To defray the costs of acquiring, constructing, reconstructing, and equipping public safety facilities for the City of Ionia, which the Authority has leased to the City.

Issue: \$ 600,000

Issue date: August 1, 1992

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
10/1/2004	6.10 %	\$ 50,000	\$ 11,501	\$ 61,501
10/1/2005	6.20	50,000	8,426	58,426
10/1/2006	6.25	55,000	5,157	60,157
10/1/2007	6.25	55,000	1,719	56,719
		<u>\$ 210,000</u>	<u>\$ 26,803</u>	<u>\$ 236,803</u>

1995 Public Improvement Special Assessment Bonds

Purpose: To finance the costs of water, sewer, and street improvements in certain special assessment districts in the City of Ionia in anticipation of the collection of future due installments of special assessments.

Issue: \$ 1,310,000

Issue date: October 1, 1995

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
10/1/2004	4.95 %	\$ 100,000	\$ 34,625	\$ 134,625
10/1/2005	5.00	100,000	29,650	129,650
10/1/2006	5.20	100,000	24,550	124,550
10/1/2007	5.30	100,000	19,300	119,300
10/1/2008	5.40	100,000	13,950	113,950
10/1/2009	5.50	100,000	8,500	108,500
10/1/2010	5.75	100,000	2,875	102,875
		<u>\$ 700,000</u>	<u>\$ 133,450</u>	<u>\$ 833,450</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2004

1997 Streetlight Project Loan

Purpose: To finance the cost of streetlights for certain special assessment districts in the City of Ionia in anticipation of the collection of future due installments of special assessments.

Issue: \$ 250,000

Issue date: January 17, 1997

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
7/15/2004	5.14 %	\$ 13,943	\$ 2,250	\$ 16,193
1/15/2005	5.14	14,280	1,913	16,193
7/15/2005	5.14	14,975	1,218	16,193
1/15/2006	5.14	15,129	1,064	16,193
7/15/2006	5.14	15,432	761	16,193
1/15/2007	5.14	14,426	376	14,802
		<u>\$ 88,185</u>	<u>\$ 7,582</u>	<u>\$ 95,767</u>

1999 Voter Tabulation Equipment Capital Lease

Purpose: To finance the purchase of voter tabulation equipment by the City of Ionia.

Issue: \$ 22,950

Issue Date: October 20, 1999

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Amount Due</u>
9/1/2004	4.00 %	<u>\$ 2,689</u>	<u>\$ 97</u>	<u>\$ 2,786</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2004

1999 Water Supply Revenue Bonds

Purpose: To defray the cost of acquiring and constructing improvements to the City's Water System and to pay the cost of refunding the City's outstanding 1981 Water System Revenue Bonds.

Issue: \$ 8,400,000

Issue date: August 19, 1999

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
7/1/2005	6.50 %	\$ 350,000	\$ 344,362	\$ 694,362
7/1/2006	6.50	350,000	321,612	671,612
7/1/2007	5.90	400,000	300,962	700,962
7/1/2008	5.00	400,000	280,962	680,962
7/1/2009	5.00	450,000	260,962	710,962
7/1/2010	5.00	450,000	238,462	688,462
7/1/2011	4.85	475,000	216,638	691,638
7/1/2012	4.90	525,000	193,362	718,362
7/1/2013	4.95	525,000	167,375	692,375
7/1/2014	5.00	550,000	141,125	691,125
7/1/2015	5.00	600,000	113,625	713,625
7/1/2016	4.50	625,000	86,625	711,625
7/1/2017	4.50	650,000	58,500	708,500
7/1/2018	4.50	650,000	29,250	679,250
		<u>\$ 7,000,000</u>	<u>\$ 2,753,822</u>	<u>\$ 9,753,822</u>

1994 Downtown Development Authority Bonds

Purpose: To pay the costs of constructing various improvements in the Downtown Development Area of the Downtown Development Authority of the City of Ionia.

Issue: \$ 5,000,000

Issue date: December 21, 1994

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
11/1/2004	6.20 %	<u>\$ 225,000</u>	<u>\$ 222,493</u>	<u>\$ 447,493</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2004

1997 Downtown Development Authority Refunding Bonds

Purpose: To pay for the cost of refunding a portion of the 1990 Downtown Development Bonds, the 1991 Downtown Development Bonds and issuance costs of the bonds.

Issue: \$ 4,005,000

Issue date: May 15, 1997

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
5/1/2005	5.40 %	\$ 415,000	\$ 148,235	\$ 563,235
5/1/2006	5.50	415,000	125,825	540,825
5/1/2007	5.60	410,000	103,000	513,000
5/1/2008	5.70	460,000	80,040	540,040
5/1/2009	5.80	460,000	53,820	513,820
5/1/2010	5.90	460,000	27,140	487,140
		<u>\$ 2,620,000</u>	<u>\$ 538,060</u>	<u>\$ 3,158,060</u>

1998 Downtown Development Authority Refunding Bonds

Purpose: To pay for the cost of refunding a portion of the 1994 Downtown Development Bonds and issuance costs of the bonds.

Issue: \$ 3,835,000

Issue date: November 24, 1998

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
11/1/2004	3.85 %	\$ 55,000	\$ 146,765	\$ 201,765
11/1/2005	3.85	295,000	140,026	435,026
11/1/2006	3.90	305,000	128,399	433,399
11/1/2007	4.00	315,000	116,153	431,153
11/1/2008	4.05	325,000	103,272	428,272
11/1/2009	4.10	340,000	89,720	429,720
11/1/2010	4.15	355,000	75,384	430,384
11/1/2011	4.20	370,000	60,248	430,248
11/1/2012	4.25	390,000	44,190	434,190
11/1/2013	4.30	405,000	27,195	432,195
11/1/2014	4.35	425,000	9,244	434,244
		<u>\$ 3,580,000</u>	<u>\$ 940,596</u>	<u>\$ 4,520,596</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2004

1999 Sewer Basin Truck

Purpose: To finance the purchase a new Sewer Basin Truck for use by the City of Ionia.

Issue: \$ 170,000

Issue date: September 2, 1999

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
7/30/2004	5.05 %	\$ 12,866	\$ 1,693	\$ 14,559
1/30/2005	5.05	13,191	1,368	14,559
7/30/2005	5.05	13,524	1,035	14,559
1/30/2006	5.05	13,615	944	14,559
7/30/2006	5.05	14,497	62	14,559
		<u>\$ 67,693</u>	<u>\$ 5,102</u>	<u>\$ 72,795</u>

2004 Dump Truck Loan

Purpose: To finance the purchase of a new dump truck.

Issue: \$ 87,987

Issue date: August 5, 2004

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
9/1/2004	3.970 %	\$ 16,349	\$ 2,756	\$ 19,105
9/1/2005	3.970	16,998	2,107	19,105
9/1/2006	3.970	17,672	1,433	19,105
9/1/2007	3.970	18,397	708	19,105
		<u>\$ 69,416</u>	<u>\$ 7,004</u>	<u>\$ 76,420</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2004

2001 Building Authority Bonds

Purpose: To improve enlarge, furnish, equip and maintain facilities owned and operated by the City.

Issue: \$ 950,000

Issue date: June 1, 2001

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
8/1/2004	8.00 %	\$ 25,000	\$ 51,250	\$ 76,250
8/1/2005	8.00	25,000	49,250	74,250
8/1/2006	8.00	25,000	47,250	72,250
8/1/2007	8.00	25,000	45,250	70,250
8/1/2008	8.00	50,000	42,250	92,250
8/1/2009	8.00	50,000	38,250	88,250
8/1/2010	5.00	50,000	35,000	85,000
8/1/2011	5.00	50,000	32,500	82,500
8/1/2012	5.00	50,000	30,000	80,000
8/1/2013	5.00	50,000	27,500	77,500
8/1/2014	5.00	50,000	25,000	75,000
8/1/2015	5.00	75,000	21,875	96,875
8/1/2016	5.00	75,000	18,125	93,125
8/1/2017	5.00	75,000	14,375	89,375
8/1/2018	5.00	75,000	10,625	85,625
8/1/2019	5.00	75,000	6,875	81,875
8/1/2020	5.00	100,000	2,500	102,500
		<u>\$ 925,000</u>	<u>\$ 497,875</u>	<u>\$ 1,422,875</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2004

2001 Michigan Transportation Bonds

Purpose: To finance improvements to the streets in the City.

Issue: \$ 900,000

Issue date: May 1, 2001

Due Date	Interest Rate	Principal Due	Interest Due	Total Amount Due
8/1/2004	3.70 %	\$ 50,000	\$ 32,138	\$ 82,138
8/1/2005	3.80	50,000	30,262	80,262
8/1/2006	3.90	50,000	28,337	78,337
8/1/2007	4.00	50,000	26,362	76,362
8/1/2008	4.10	50,000	24,337	74,337
8/1/2009	4.25	50,000	22,250	72,250
8/1/2010	4.45	75,000	19,519	94,519
8/1/2011	4.55	75,000	16,144	91,144
8/1/2012	4.65	75,000	12,694	87,694
8/1/2013	4.75	75,000	9,169	84,169
8/1/2014	4.85	75,000	5,569	80,569
8/1/2015	5.00	75,000	1,875	76,875
		<u>\$ 750,000</u>	<u>\$ 228,656</u>	<u>\$ 978,656</u>

2002 General Obligation Limited Tax Bonds

Purpose: To pay portion of costs for improvements to Special Assessment District.

Issue: \$ 265,000

Issue date: June 25, 2002

Due Date	Interest Rate	Principal Due	Interest Due	Total Amount Due
9/1/2004	3.000 %	\$ 50,000	\$ 3,563	\$ 53,563
3/1/2005	3.000	-	2,813	2,813
9/1/2005	3.000	55,000	2,813	57,813
3/1/2006	3.000	-	1,988	1,988
9/1/2006	3.300	55,000	1,988	56,988
3/1/2007	3.300	-	1,080	1,080
9/1/2007	3.600	60,000	1,080	61,080
		<u>\$ 220,000</u>	<u>\$ 15,325</u>	<u>\$ 235,325</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2004

2001 Water and Sewer Improvement Bonds

Purpose: To make improvements to the Water and Sewer Systems.

Issue: \$ 3,600,000

Issue date: August 1, 2001

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
8/1/2004	5.00 %	\$ 89,500	\$ 71,538	\$ 161,038
2/1/2005	5.00	-	69,300	69,300
8/1/2005	4.00	89,500	69,300	158,800
2/1/2006	4.00	-	67,511	67,511
8/1/2006	4.00	89,500	67,511	157,011
2/1/2007	4.00	-	65,720	65,720
8/1/2007	4.00	134,250	65,720	199,970
2/1/2008	4.00	-	63,036	63,036
8/1/2008	4.00	134,250	63,036	197,286
2/1/2009	4.00	-	60,351	60,351
8/1/2009	4.00	134,250	60,351	194,601
2/1/2010	4.00	-	57,666	57,666
8/1/2010	4.00	179,000	57,666	236,666
2/1/2011	4.00	-	54,086	54,086
8/1/2011	4.25	179,000	54,086	233,086
2/1/2012	4.25	-	50,282	50,282
8/1/2012	4.25	201,375	50,282	251,657
2/1/2013	4.25	-	46,003	46,003
8/1/2013	5.00	201,375	46,003	247,378
2/1/2014	5.00	-	40,969	40,969
8/1/2014	5.00	223,750	40,969	264,719
2/1/2015	5.00	-	35,375	35,375
8/1/2015	5.00	223,750	35,375	259,125
2/1/2016	5.00	-	29,781	29,781
8/1/2016	4.70	223,750	29,781	253,531
2/1/2017	4.70	-	24,187	24,187
8/1/2017	4.70	223,750	24,187	247,937
2/1/2018	4.70	-	18,929	18,929
8/1/2018	4.70	268,500	18,929	287,429
2/1/2019	4.70	-	12,620	12,620
8/1/2019	4.70	268,500	12,620	281,120
2/1/2020	4.70	-	6,310	6,310
8/1/2020	4.70	268,500	6,310	274,810
		<u>\$ 3,132,500</u>	<u>\$ 1,475,790</u>	<u>\$ 4,608,290</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2004

2003 Street Sweeper Loan

Purpose: To finance the purchase of a new street sweeper.

Issue: \$ 143,100

Issue date: September 4, 2002

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
12/1/2004	4.68 %	\$ 18,840	\$ 4,822	\$ 23,662
12/1/2005	4.68	19,720	3,943	23,663
12/1/2006	4.68	20,644	3,018	23,662
12/1/2007	4.68	21,610	2,052	23,662
12/1/2008	4.68	22,263	1,399	23,662
		<u>\$ 103,077</u>	<u>\$ 15,234</u>	<u>\$ 118,311</u>

2003 Dump Truck Loan

Purpose: To finance the purchase of a new dump truck.

Issue: \$ 41,627

Issue date: April 28, 2003

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
4/28/2005	4.07 %	\$ 13,887	\$ 1,151	\$ 15,038
4/28/2006	4.07	14,425	557	14,982
		<u>\$ 28,312</u>	<u>\$ 1,708</u>	<u>\$ 30,020</u>

2003 Police Cars Loan

Purpose: To finance the purchase of 3 new police cars.

Issue: \$ 62,127

Issue date: October 10, 2002

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
9/1/2004	4.68 %	<u>\$ 31,878</u>	<u>\$ 1,493</u>	<u>\$ 33,371</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2004

2004 General Obligation Limited Tax Bonds

Purpose: To pay for costs for construction and improvements to the water and sewer system.

Issue: \$ 4,200,000

Issue date: August 1, 2004

Due Date	Interest Rate	Principal Due	Interest Due	Total Amount Due
8/1/2004	0.00 %	\$ -	\$ 47,554	\$ 47,554
2/1/2005	0.00	-	71,330	71,330
8/1/2005	0.00	-	71,330	71,330
2/1/2006	0.00	-	71,330	71,330
8/1/2006	0.00	-	71,330	71,330
2/1/2007	0.00	-	71,330	71,330
8/1/2007	3.00	60,000	71,330	131,330
2/1/2008	3.00	-	70,430	70,430
8/1/2008	3.00	60,000	70,430	130,430
2/1/2009	3.00	-	69,530	69,530
8/1/2009	3.00	60,000	69,530	129,530
2/1/2010	3.00	-	68,630	68,630
8/1/2010	3.50	60,000	68,630	128,630
2/1/2011	3.50	-	67,580	67,580
8/1/2011	3.50	60,000	67,580	127,580
2/1/2012	3.50	-	66,530	66,530
8/1/2012	3.75	80,000	66,530	146,530
2/1/2013	3.75	-	65,030	65,030
8/1/2013	4.00	80,000	65,030	145,030
2/1/2014	4.00	-	63,430	63,430
8/1/2014	4.00	100,000	63,430	163,430
2/1/2015	4.00	-	61,430	61,430
8/1/2015	4.00	100,000	61,430	161,430
2/1/2016	4.00	-	59,430	59,430
8/1/2016	4.00	120,000	59,430	179,430
2/1/2017	4.00	-	57,030	57,030
8/1/2017	4.00	120,000	57,030	177,030
2/1/2018	4.00	-	54,630	54,630
8/1/2018	4.13	140,000	54,630	194,630
2/1/2019	4.13	-	51,742	51,742
8/1/2019	4.13	140,000	51,742	191,742
2/1/2020	4.13	-	48,855	48,855
8/1/2020	4.25	140,000	48,855	188,855
2/1/2021	4.25	-	45,880	45,880
8/1/2021	4.25	200,000	45,880	245,880
2/1/2022	4.25	-	41,630	41,630
8/1/2022	4.38	200,000	41,630	241,630
2/1/2023	4.38	-	37,255	37,255
8/1/2023	4.38	200,000	37,255	237,255
2/1/2024	4.38	-	32,880	32,880

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2004

2004 General Obligation Limited Tax Bonds - continued

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
8/1/2024	4.50 %	\$ 240,000	\$ 32,880	\$ 272,880
2/1/2025	4.50	-	27,480	27,480
8/1/2025	4.50	240,000	27,480	267,480
2/1/2026	4.50	-	22,080	22,080
8/1/2026	4.60	240,000	22,080	262,080
2/1/2027	4.60	-	16,560	16,560
8/1/2027	4.60	240,000	16,560	256,560
2/1/2028	4.60	-	11,040	11,040
8/1/2028	4.60	240,000	11,040	251,040
2/1/2029	4.60	-	5,520	5,520
8/1/2029	4.60	240,000	5,520	245,520
		<u>\$ 3,360,000</u>	<u>\$ 2,564,750</u>	<u>\$ 5,924,750</u>

1999 CDBG Loan

Purpose: To purchase Gencorp land.

Issue: \$ 1,500,000

Issue date: March 1, 1999

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
7/1/2004	5.00 %	\$ 34,962	\$ 22,503	\$ 57,465
10/1/2004	5.00	35,400	22,065	57,465
1/1/2005	5.00	35,842	21,623	57,465
4/1/2005	5.00	36,290	21,175	57,465
7/1/2005	5.00	36,744	20,721	57,465
10/1/2005	5.00	37,203	20,262	57,465
1/1/2006	5.00	37,668	19,797	57,465
4/1/2006	5.00	38,139	19,326	57,465
7/1/2006	5.00	38,616	18,849	57,465
10/1/2006	5.00	39,098	18,367	57,465
1/1/2007	5.00	39,587	17,878	57,465
4/1/2007	5.00	40,082	17,383	57,465
7/1/2007	5.00	40,583	16,882	57,465
10/1/2007	5.00	41,090	16,375	57,465
1/1/2008	5.00	41,604	15,861	57,465
4/1/2008	5.00	42,124	15,341	57,465
7/1/2008	5.00	42,650	14,815	57,465
10/1/2008	5.00	43,183	14,282	57,465
1/1/2009	5.00	43,723	13,742	57,465
4/1/2009	5.00	44,270	13,195	57,465
7/1/2009	5.00	44,823	12,642	57,465
10/1/2009	5.00	45,383	12,082	57,465

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2004

1999 CDBG Loan - continued

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
1/1/2010	5.00 %	\$ 45,951	\$ 11,514	\$ 57,465
4/1/2010	5.00	46,525	10,940	57,465
7/1/2010	5.00	47,107	10,358	57,465
10/1/2010	5.00	47,696	9,769	57,465
1/1/2011	5.00	48,292	9,173	57,465
4/1/2011	5.00	48,895	8,570	57,465
7/1/2011	5.00	49,507	7,958	57,465
10/1/2011	5.00	50,125	7,340	57,465
1/1/2012	5.00	50,752	6,713	57,465
4/1/2012	5.00	51,386	6,079	57,465
7/1/2012	5.00	52,029	5,436	57,465
10/1/2012	5.00	52,679	4,786	57,465
1/1/2013	5.00	53,338	4,127	57,465
4/1/2013	5.00	54,004	3,461	57,465
7/1/2013	5.00	54,679	2,786	57,465
10/1/2013	5.00	55,363	2,102	57,465
1/1/2014	5.00	56,055	1,410	57,465
4/1/2014	5.00	56,758	707	57,465
		<u>\$ 1,800,205</u>	<u>\$ 498,395</u>	<u>\$ 2,298,600</u>

Principals

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Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
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and
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Ionia
Ionia, Michigan

We have audited the basic financial statements of City of Ionia as of and for the year ended June 30, 2004, and have issued our report thereon dated November 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Ionia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ionia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Ionia in a separate letter dated November 9, 2004.

This report is intended solely for the information and use of management and the City Council of the City of Ionia, Michigan and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 9, 2004

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MANAGEMENT LETTER

To the Honorable Mayor and
Members of the City Council
City of Ionia
Ionia, Michigan

As you know, we have recently completed our audit of the records of the City of Ionia, Michigan as of and for the year ended June 30, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal controls and our discussions with management.

1. The City should review the status of individual fund balances (deficits) near year-end.

As noted in the financial statements, the City has one (1) fund that ended the year in a deficit financial position. The City has submitted a deficit elimination plan to the State of Michigan for this fund and received the State's approval. Although the City experienced a setback with respect to the deficit elimination plan because expenditures exceeded revenues in the DDA fund in the fiscal year ended June 30, 2004, management of the City has stated that they remain committed to the plan.

We suggest the City review the status of individual funds near year-end and make appropriate adjustments when possible to eliminate deficits.

2. The City should monitor and amend budgets for applicable funds as necessary.

During the course of our audit, we noted an instance where expenditures had been incurred in excess of amounts appropriated. This was noted in one (1) Special Revenue Fund.

Michigan Public Act 621 of 1978, as amended, provides that the Board shall adopt formal budgets for the General and all Special Revenue funds and shall not incur expenditures in excess of the amounts appropriated. The budget must include all anticipated expenditures and the related revenue and fund equity to fund these expenditures.

We suggest that the City adopt and amend its budgets through Council resolution and monitor budgeted against actual expenditures.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated November 9, 2004.

This report is intended solely for the information of management and the Mayor and Members of the City Council of the City of Ionia and is not intended to be, and should not be, used by anyone other than these specified parties.

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We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 9, 2004